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Contingency on the Korean Peninsula: Collapse to Unification

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Contingency on the Korean Peninsula: Collapse to Unification

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Dedication

For my grandmothers, mom, dad, aunts, and uncles

The views expressed in this dissertation are those of the author and do not reflect the official policy or position of the United States Air Force, Department of Defense, or the U.S. Government.

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Contingency on the Korean Peninsula: Collapse to Unification

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A collapsed North Korea would pose a momentous test to the future of the region. The five regional powers—South Korea, China, Japan, Russia, and the United States—are ill-prepared for such an event, partly because of the act of planning for it would upset North Korea. However, the potential challenges of a collapse are too great to ignore. This study presents an historical and political analysis of the increasing risk that North Korea may collapse. A comparison with earlier cases suggests that triggers and indicators of collapse can be identified, including increasing cross-border information flows, defections, and the possible death or incapacitation of North Korea's leader. Further, the large and growing economic disparity between North Korea and its neighbors, South Korea and China, points to likely consequences of collapse, including possible mass migration. The study then examines the roles of South Korea, China, the U.S., Japan, and Russia in the future of the Korean Peninsula; it concludes with a further consideration of the paradox of collapse planning, but argues that it would be better to run the risks entailed in the exercise than to be caught flatfooted when a collapse occurs.

The analysis is based on interviews, surveys, and documents in English and Korean.

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CHAPTER 1: A COMING KOREAN TRAGEDY: A RISING RISK OF UNPLANNED-FOR COLLAPSE

North Korea has defied experts' prediction of its collapse for two decades following the fall of the Berlin Wall in 1989 and the demise of the Soviet Union and Eastern bloc in 1990. Nonetheless, experts continue to be concerned about how long the regime can last. North Korea's dysfunctional economy is unable to provide for the basic needs of its people. North Korea must reform and open up its economy, yet to do so could invite competing information challenging the regime's legitimacy and its hold on power.

North Korea's collapse could unleash a series of short- and long-term challenges to the vital national interests of the regional powers (South Korea, China, Japan, Russia, and the United States), including challenges to their relations with each other. If Pyongyang collapses, the result could be mass migration, mass suffering due to political, institutional, and economic instability, and uncontrolled nuclear weapons. Such a volatile situation could halt or even reverse the progress of this dynamic and prosperous region, with widespread international implications. However, the regional powers' governments are ill-prepared for such a contingency and each is focused on a different aspect of the potential disaster. For example, China is concerned about the mass refugee flow from North Korea and the loss of a buffer state; China therefore prefers the status quo. South Korea fears the huge unification cost as well as the influx of North Koreans, and so desires slow integration with North Korea. Both China and South Korea are anxious to

avoid upsetting North Korea by openly preparing for its collapse. Meanwhile, the U.S. is focused on the control of nuclear weapons and materials.

This author argues that the regional powers, particularly South Korea, China, and the U.S., would be wise to prepare for a potential North Korean collapse. A major part of such preparation should be prior consultation to allay fears that any one state's action might create a zero-sum game at the expense of other regional powers.

The long-term development of North Korea will also require regional and international coordination. This thesis argues that the regional powers should anticipate several possible scenarios and develop plans to mitigate negative consequences. Such a forward-looking approach would help establish a solid foundation to manage the challenges of the most likely contingencies and set the stage for a more stable and prosperous future for the region.

A. Purpose of Research

The purpose of this research is to highlight the increasing risk of North Korea's collapse and to urge the neighboring powers to prepare for such an event. It begins by describing various unification scenarios, of which collapse is one. The study explains the conditions affecting the stability of North Korea's regime, identifies the issues for regional powers in a collapse, and explores ways to respond to the challenges of collapse.

The majority of the literature on unification focuses on unification scenarios and costs. Due to North Korean regime's longevity compared to the former Soviet satellite states and the political sensitivity, the collapse has not been the main focus of the literature. This research attempts to fill the gap.

North Korea shows growing signs of systemic weaknesses. North Korea's economy is dismal, food shortages are chronic, and the country is plagued by floods and famine. The openness and reform necessary to fix these problems and establish a viable economic system would shake the foundation of the North Korean regime, undermining domestic support by allowing people access to information questioning the legitimacy of the regime. On the other hand, if the government refuses to open up in order to keep information in check, the system could collapse and precipitate the regime's collapse.

Instead of implementing genuine reform to fix its economy, the North Korean regime relies on *Juche* (self sufficiency), taking an isolationist stance in the age of globalism, and the policy of *Seon-goon* (military first), directing a significant part of the country's resources to guns rather than rice. With greater international pressure for interconnectivity, operating in a relatively isolated manner is harmful to the economy.¹ Despite *Juche*, North Korea has been dependent on outside help for decades, from the former Soviet Union and most recently from China and South Korea.

As part of its military first policy, North Korea has pursued a nuclear weapons and missile program. North Korea is trying to win concessions from the U.S., including monetary and food aid and a security guarantee, a major step that would boost the regime's domestic legitimacy. North Korea's nuclear and delivery system programs are used to gain leverage for this purpose.

¹ Stephen Bradner, "North Korea's Strategy," in *Competitive Strategies*, Arlington, Virginia, NPEC/Institute for National Security Studies, Army War College, June 12-14, 2000, updated August 1, 2000, 4.

North Korea's best course of action if it is to preserve its current regime, as Marcus Noland notes, is to muddle along,² attempting to balance the benefits of openness and reform with the costs of such actions while simultaneously trying to extract concessions from foreign powers. Because the fundamental problems of North Korea's broken system have not been addressed, it is unclear how long the regime can muddle through. At some point, the cracks in the system may prove too many and too deep, precipitating a collapse and a nightmare scenario for the region, including chaos and anarchy in North Korea, mass migration of refugees into China and South Korea, and loss of control of the North Korean nuclear weapons. Whatever the probability of regime collapse, the potential for such large-scale disruption is too serious to ignore. Accordingly, this author argues that because their security and prosperity would be significantly affected by the collapse of the North Korean regime, the states most engaged with North Korea—South Korea, the U.S., China, Japan, and Russia—should prepare for the collapse.

B. Research Hypothesis and Questions

The North Korean predicament can be summarized as a tension between the need to reform its unsuccessful economic system and the fear that the mechanism for reform, greater openness, would sow seeds of discontent and create domestic political instability. The overarching question addressed in this work is whether a political system can survive without a viable economic system. If not, will weaknesses in its economic system lead to the collapse of North Korea?

² Marcus Noland, *Avoiding the Apocalypse* (Washington, DC: Institute for International Economics, 2000),

In the international community, discussions of North Korea's possible collapse are fueled by its continued weak economy, chronic inability to feed its population, and concerns over the health of Kim Jong-il and related leadership questions. If North Korea collapses, it would destabilize the region and radically affect the surrounding powers. It would likely lead to a reunification of the two Koreas and extensively change the strategic landscape of Northeast Asia.

Specific questions addressed in this dissertation include: What factors might lead to a collapse of North Korea? What are the variations of a collapse scenario? What problems would be associated with such a collapse? What are the concerns of the regional powers and how would they attempt to address these problems? What interests do these countries share, and how can they work together on those common interests?

C. Assumptions and Terminology

UNIFICATION AND SOUTH KOREA

This study assumes that South Korea would play a major role in the event that North Korea collapses. South Korean government and non-governmental organizations would likely seek to create institutions and systems similar to those of South Korea. Accordingly, this study assumes that a unified Korea would be a market economy and a democracy.

UNIFICATION AND REUNIFICATION

The terms “unification” and “reunification” are used interchangeably in this study. The Korean term “tong-il” means unification. Although “re” in reunification exists in Korean, Koreans do not use it. Disuse of “re” does not indicate that Koreans do not mean re-merger. Korea had been a unified country for centuries until the division of the last six decades. Therefore, the term “reunification” is also appropriate.

KOREAN NAMES AND SPELLING

Korean names and spellings follow the latest South Korean government convention in this study. For instance, in this research, the former South Korean President’s name is spelled “Park Chung-hee.” Previously “Park Chung Hee” was also used. If the latter style is used, then the person published documents using that style, and that style is usually found in the footnotes or bibliography. Kim is the last name and is placed first, consistent with Korean practice. The use of hyphenation and lower case after the hyphenation in “Chung-hee” is the new convention. If the name appears to be Korean, but the last name is placed at the end, then it implies the person is a Korean-American using the “American” way of displaying surname after the first name, or has published using the American convention of placing last name at the end.

Additionally, some place-name spellings are different. The old method uses Kaesong, Keumgang, Inchon, and Pusan, for example. The new way uses Gaesong, Geumgang, Incheon, and Busan, respectively.

Military-first policy would be spelled *Seongoon* in Korean using the latest protocol on corresponding vowels and consonants in Korean to English. In this study, the

author separated the syllables by adding a dash in the middle (*Seon-goon*) to reduce confusion in pronouncing the word. In other writings, it is also spelled *Songun*.

VARIOUS WAYS TO EXPRESS “KOREA”

In general, South Korea and North Korea are used. Sometimes, their official names, Republic of Korea (ROK) and Democratic People’s Republic of Korea (DPRK), respectively, are employed. Occasionally, depending on the context, “Korea” is used to refer to the formerly unified Korea prior to the division, or as an identity for both Koreas as a whole.

UNIFICATION AND SOUTH KOREA

A key assumption of this study is that a unified Korea would be a market economy and a democracy. Another assumption is that South Korea would play a major role in case North Korea collapses. South Korean government and non-governmental organizations would likely seek to create institutions and systems similar to those of South Korea.

D. Structure of This Study

After a review of the relevant literature in Chapter 2, the framework and methods for this study are described in Chapter 3, along with a summary of the major findings of the interviews conducted by the author in her research. Chapter 4 reviews indicators and triggers of a collapse. Chapter 5 focuses on the regional powers of the U.S., China, Japan, Russia, and South Korea, examining their national interests, issues to be resolved with Korea, areas of cooperation, and key challenges. In Chapter 6, the author considers

numerous challenges posed by a collapse and explores potential responses to mitigate the problems. High priority issues include nuclear weapons leakage, disorder, and mass migration. In the long-run, economic development would be crucial. To set the foundation for long-term regional stability and prosperity, the regional powers should cooperate on planning and execution of stability and development efforts.

CHAPTER 2: THE UNIFICATION LITERATURE: A CRITICAL REVIEW

The fall of the Berlin Wall and the subsequent German unification spurred an extensive literature on Korean unification. Since the early 1990s, many scholars and policy experts have predicted that North Korea would collapse after the breakup of its key sponsor, the Soviet Union, and the collapse of the Eastern bloc. A review of the literature reveals that Korean unification scenarios focus primarily on three different possibilities: gradual and peaceful unification between North and South Korea, a collapse of the North and absorption into the South, and war.

The unification of the Korean Peninsula is inevitably linked to North Korea's demise, and numerous experts have presented unification scenarios. The financial cost of German unification has inspired a body of research on Korean unification expense estimates. The realities of the likely huge unification expenses and the potentially disastrous consequences of the hard landing scenario have led both South Korea and China to prefer a non-collapse, non-violent scenario.

The literature on the background of the regional powers and bilateral relations illuminates the future roles of these powers and the potential for cooperation among them. Potential challenges and responses are gleaned from the sparse literature on unification challenges.

While the focus of this study is to examine a potential collapse of North Korea, a review of various unification scenarios provides a broader context for analysis. Some of the other scenarios, such as war, might be combined with the collapse case, which makes

understanding other scenarios pertinent. The collapse scenario has been less frequently discussed as the Pyongyang regime has shown its resilience over time. Accordingly, several unification scenarios are examined in this chapter.

A. Korean Unification Scenarios

The three most common types of scenarios are peaceful and gradual unification, war leading to unification, and the collapse of North Korea and unification by default. Various titles are given to these scenarios, and there are other scenarios as well, but these three are most common. The gradual long-term approach envisions the two Koreas starting with greater exchanges. They might then form a confederation in which the two systems peacefully coexist. The third stage is unification, but some see confederation as the final stage. The war scenario could occur with or without North Korea's collapse. In the war scenarios, North Korea initiates the attack, and the victor is usually seen as the combined ROK-U.S. forces. The collapse scenario refers to the collapse of North Korea and its subsequent absorption by South Korea.

In "A Blueprint for U.S. Policy toward a Unified Korea," Derek Mitchell, former Senior Fellow for Asia Projects at the Center for Security and International Studies (CSIS), describes three unification outcomes: peaceful integration, default, and war.³ Peaceful integration would be the least catastrophic and can also be referred to as the "soft landing" scenario.⁴ This scenario anticipates a lengthy period of peaceful coexistence, greater inter-Korean interaction, and slow structural changes along the lines

³ Derek J. Mitchell, "A Blueprint for U.S. Policy toward a Unified Korea," in *CSIS Working Group Report* (Washington, DC: Center for Strategic and International Studies, August 2002), 3.

⁴ Mitchell, 3.

of one state, but two systems and two governments.⁵ This outcome requires a formal peace treaty, peaceful coexistence for a protracted duration, greater South-North interactions, and slow structural change. The main driver for such an outcome would be economic. Economic activities like trade, investment and joint ventures create the functional interaction among individuals, firms and various other entities that would provide the foundation for political and social unity.⁶ This view is similar to the confederation scenario.

Unification by default assumes a state failure in North Korea and absorption by South Korea leading to abrupt unification. Unification by default is essentially a collapse and absorption scenario. The outcome would be less benign than peaceful integration, and was described as a “hard landing” by the Kim Yong-sam administration in South Korea in 1990s.⁷ This scenario, popular immediately after the Soviet collapse, is regaining momentum as North Korea’s dire economic conditions persist and Kim Jong-il’s health is questionable, and thus the succession, is under examination. The traits of the default outcome assume a trigger precipitating regime collapse that leads to a sudden unification. The scenario requires external interventions to restore order in North Korea and to control the mass population.⁸ The initial focus would be on managing mass migration, as well as on political, social and economic integration, all of which are anticipated to present even more acute problems than in the war scenario.⁹

⁵ Mitchell, 3.

⁶ Mitchell, 4.

⁷ Mitchell, 5.

⁸ Derek Mitchell, "A Blueprint for U.S. Policy toward a Unified Korea," *The Washington Quarterly* 26, no. 1 (2002-03): 6.

⁹ Ibid. Mitchell, 6.

The third scenario is unification as a byproduct of war. It assumes a full-scale attack on South Korea by North Korea. A conflict may also arise from limited North Korean violence and brinkmanship that spirals out of control. The war scenario is deemed least likely, both because of the credibility of U.S.-ROK deterrence and because North Korean leaders are not likely to choose a path leading to the regime's downfall. Nevertheless, given high tensions and room for miscalculation, the war scenario is still plausible. The defining characteristics of the war outcome are mass civilian casualties, both Korean and American, large-scale industrial devastation in Seoul and other urban metropolitan areas, and the desolation of North Korea. Japan would also see mass destruction, as North Korea would likely launch missiles to prevent U.S. and Japanese intervention. The scenario assumes that while North Korea would inflict tremendous damage on South Korea, Pyongyang would lose the war, and South Korea or the U.S., as victorious powers, would administer and occupy the northern half of the peninsula.¹⁰

Selig Harrison in *Korean Endgame* discusses two possible cases: absorption or confederation.¹¹ The collapse of the Soviet Union and its satellite states in Central and Eastern Europe, the death of North Korea's long-time leader Kim Il Sung in 1994, and the famine of the mid-1990s strengthened the belief that North Korea would collapse. However, North Korea still survives. Harrison concludes that North Korea is not likely to collapse suddenly, but rather will erode gradually with leadership and systemic changes. He views a confederation as the most likely outcome and a more realistic way of reducing inter-Korean tensions. The concept of confederation has evolved over time

¹⁰ Mitchell, 8.

¹¹ Selig S. Harrison, *Korean Endgame: A Strategy for Reunification and U.S. Disengagement* (Princeton: Century Foundation, Princeton University Press, 2002), 74.

as well. Initially, the North's idea of confederation was more like the "federation" of a unitary, centralized system. South Korea sees a much looser structure. In fact, the Roh Tae-woo administration in the late 1990s used the term "commonwealth," rather than confederation.¹² North Korea, with greater uncertainties and economic difficulties, sees confederation as the final stage, with separate regimes existing peacefully for an indefinite period.¹³ Norman Levin and Yong-Sup Han in *Sunshine in Korea* describe the Sunshine Policy of engaging North Korea as based on the premise that North Korea will not collapse, and that engagement is the only viable alternative to high tensions and conflict on the Korean Peninsula.¹⁴

In *Preparing for Korean Unification*, Jonathan Pollack and Chung Min Lee describe four scenarios: 1) integration and peaceful unification; 2) collapse and absorption; 3) unification through conflict; and 4) disequilibrium and potential external intervention.¹⁵ Peaceful unification refers to a gradual integration between South Korea and North Korea via incremental transitions that allow greater interactions. This scenario is based on both South Korea and North Korea undergoing philosophical changes in attitudes and assumptions about each other and both instituting a series of interim steps needed for larger-scale changes necessary for unification.¹⁶ The interim steps include both parties accepting each other as equal and legal entities, and negotiating a mutually

¹² Interview with Young-ho Park, Korea Institute of National Unification (KINU), Seoul, June 27, 2006.

¹³ Harrison, *Korean Endgame: A Strategy for Reunification and U.S. Disengagement*, 75-76.

¹⁴ Norman D. Levin and Yong-Sup Han, *Sunshine in Korea: The South Korean Debate over Policies Toward North Korea* (Santa Monica: RAND, 2002), 31.

¹⁵ Jonathan D. Pollack and Chung-Min Lee, *Preparing for Korean Unification: Scenarios & Implications* (Santa Monica: RAND, 1999), 24.

¹⁶ Pollack and Lee, 49-50

acceptable and binding political settlement. The scenario also presupposes the halt of military threat through a permanent peace mechanism prior to unification.¹⁷

The collapse and absorption scenario assumes the collapse of North Korea followed by an absorption by South Korea. The “hard landing” would be caused by the inability of the North Korean regime to maintain effective control over its political, economic, social, and military systems, causing the dissolution of the regime and ultimately the state.

In the conflict scenario, North Korea’s military attacks the combined forces of South Korea and the U.S. The current strategic context is dramatically different than the one that allowed North Korea to attack South Korea in 1950. South Korea is no longer weak, the Soviet Union and China are unlikely to support North Korean aggression, and the commitment from the U.S. is strong and unambiguous. However, North Korea still has a formidable destructive capability and its basic military objectives have not changed. Its objectives are to maintain military capabilities for wartime strategic and operational surprise and successful breakthrough operations before U.S. reinforcements arrive. It focuses on using massive firepower, including artillery, multiple rocket launchers and missiles that it has placed near the DMZ. Its possession of weapons of mass destruction complicates the matter. The war scenario is one in which the U.S.-ROK Combined Forces Command prepares for, but is less likely as the war might end the regime, the very outcome the Pyongyang regime does not want. This scenario might be expected to develop if the North Korean regime becomes desperate or through escalation of a minor conflict between the two Koreas.

¹⁷ Pollack and Lee, 77.

The fourth scenario of disequilibrium describes a sustained situation of uncertain political or military outcomes that do not necessarily lead to chaos or collapse.¹⁸ This disequilibrium could invite Chinese or combined ROK-U.S. intervention, including military, to stabilize the uneasy situation and to exert influence in North Korea. An example would be if a successor government faces a daunting and unmanageable economic situation in which foreign intervention would be required to fix the problem. If North Korea, on the verge of collapse, requests and receives Chinese help, then China would be signaling that it would not idly watch North Korea implode. What additional steps would China take?

In his research, Andrew Scobell illustrates three main scenarios: suspended animation, soft landing, and crash landing. His analysis is augmented by two hybrid scenarios of soft landing/crash landing and suspended animation/soft landing.¹⁹ The suspended animation scenario retains the status quo—the regime continues to survive, but is unwilling or unable to make major policy changes, as was the case with Albania in its final years of communism.²⁰ In the soft landing scenario, Pyongyang adopts major reforms, similar to China.²¹ The reforms, however, then undermine the regime. The regime collapses in the crash landing scenario, much like the case of Romanian communism.²² This outcome is the most chaotic. A hybrid between Chinese soft landing and Romanian crash landing is another possibility. This scenario resembles the case of Cuba. Both Pyongyang and Havana experienced serious economic difficulties just prior

¹⁸ Pollack and Lee, 75.

¹⁹ Andrew Scobell, "Projecting Pyongyang: The Future of North Korea's Kim Jong Il Regime," Carlisle, Strategic Studies Institute, March 2008, 16-20.

²⁰ Scobell, 16.

²¹ Scobell, 18.

²² Scobell, 19.

to and after their patron's collapse, with the cessation of their subsidies and support from the Soviet Union and the Eastern bloc countries.²³ Pyongyang did appeal for international aid as economic conditions and food shortages were more acute in North Korea. However, both the Cuban and North Korean regimes have adopted piecemeal reforms since early 1990s, although not fundamental changes. Both regimes have survived and are ruled by dynasties with aging leaders who dominate their respective political scenes. Another scenario is a hybrid between Albanian suspended animation and Chinese soft landing, which approximates the Soviet Union's experience. Gorbachev's *glasnost* and *perestroika* in the late 1980s were an attempt at soft landing, but the Soviet Union crash landed and disintegrated in 1991.

Another set of scenarios deal with the unclear leadership succession in North Korea and accompanying stability question. Stares and Wit discuss managed succession, contested succession, and failed succession.²⁴ Managed succession is a smooth leadership transition that would maintain the current regime under a new leader, most likely a dynastic succession. This may have a high chance of success, as Kim Jong-il's patronage system is extensive. He personally promoted 1,131 of the nation's 1,400 generals and provided perquisites to the elites in the form of preferred housing, food, health care, liquor, and other privileges.²⁵ Given the benefits of patronage, elites have the incentive to maintain the regime. The next North Korean leader may continue with the current policy or may deem it necessary to change course.

²³ Scobell, 23.

²⁴ Paul B. Stares and Joel S. Wit, "Preparing for Sudden Change in North Korea," in *Council Special Report No. 42*, New York, Council on Foreign Relations, January 2009, 10.

²⁵ Stares and Wit, 12.

In contested succession, factions compete for power. If there are factions and personal rivalries, then the succession process could become messy as factions and individuals vie for power.²⁶ The succession struggle could be divisive, prolonged, and even violent. The support of the military and the intelligence agency would be crucial. The military itself could be a contestant for leadership. A new regime, rather than a continuation of the Kim regime, would emerge under this scenario. Contested succession would ultimately produce a regime change in North Korea. Because the new regime would not derive its legitimacy from the Kim family, it may be able to break with past policies and adopt reforms. On the other hand, the new regime may swing the other way and tighten control to consolidate its power base.

The failed succession of a collapsed government produces no clear leader capable of overseeing a functioning state, which leads to its demise.²⁷ A self-declared government may not be able to control the entire country. Add the chronic problems of food shortages, floods, dilapidated roads, and the failed Public Distribution System, and the new government may be unable to maintain North Korea as a functioning state. If the new government's authority breaks down, the regime would enter a terminal phase and become ripe for absorption by South Korea. This situation would be similar to the German experience. After the fall of the Berlin Wall, when German unification looked inevitable, the East German leaders, in a desperate attempt to retain some control, reached out and worked with the West German government to manage the situation.

²⁶ Stares and Wit, 12.

²⁷ Stares and Wit, 14.

David Maxwell examines a situation in which North Korea collapses without a fight.²⁸ He reviews two soft landing and two hard landing possibilities. The first soft landing scenario (Soft 1) is that Kim Jong-il seeks reconciliation with South Korea and embarks on a phased reunification. This scenario is not likely. In the Soft 2 scenario, elements from the military and bureaucracy depose Kim bloodlessly and install a moderate regime that seeks economic and political reform as well as reconciliation with South Korea. This is more plausible than the first scenario. The first hard landing scenario is collapse, disintegration, and chaos. Maxwell's Hard 2 scenario is that Kim is ousted and factions compete for power, resulting in a civil war.²⁹

In their report "Preparing for Sudden Change in North Korea," Paul Stares and Joel Wit consider three succession scenarios: managed, contested, and failed. Under the managed succession scenario, a designated leader eventually assumes considerable governing power and the transition occurs smoothly.³⁰ In this case, the succession would not be a major contributor to collapse. If the succession is contested by other leaders or factions, the transition could be disruptive and violent. The power struggle could eventually lead to a new regime that can break from the past and either institute reforms or become more repressive, creating additional stress on the fragile system.³¹ In failed succession, the power struggle could be lengthy, which might test the governance system and lead to a collapse.³²

²⁸ David S. Maxwell, "Catastrophic Collapse of North Korea: Implications for the United States Military," in *The DPRK Briefing Book: Policy Area: Scenarios*, San Francisco, The Nautilus Institute, 1996, 5.

²⁹ Maxwell, 16-17.

³⁰ Stares and Wit, "Preparing for Sudden Change in North Korea," 10.

³¹ Stares and Wit, 13.

³² Stares and Wit, 13.

From the unification scenarios described above, three general categories emerge: gradual and peaceful unification, war, and collapse and absorption. The next three sections explain these scenarios in more detail.

SCENARIO: GRADUAL AND PEACEFUL (CONFEDERATION)

The first scenario is the longer-term outcome favored by many because it is the least destabilizing. Other scenarios have even more uncertainties and conjure up the daunting nature and exorbitant costs of unification. Taking these concerns into consideration, the South Korean unification policy reflects the desire for a gradual and peaceful approach to unification over several decades or more. South Korea's unification policy envisions first, peaceful coexistence through greater exchanges, followed by a confederation, and then eventual unification.³³ To understand South Korea's unification policy, it is important to review Kim Dae-jung's Sunshine Policy of reconciliation and cooperation. Kim wanted to reduce the tension on the peninsula and induce North Korea to gradually open up and change its system by offering economic incentives. Kim's Sunshine Policy consists of three principles³⁴:

1. Never tolerate armed provocation from North Korea
2. South Korea does not intend to unify the nation by absorbing North Korea
3. Pursue inter-Korean reconciliation and cooperation.

The principles address security concerns first, then move on to engagement to build a peaceful coexistence. The first principle highlights South Korea's strong deterrence posture to encourage North Korea to abandon the strategy of using armed forces. The

³³ "Tongil Baekseo 2005 (Unification White Paper 2005)," ed. Tongilbu (Republic of Korea Ministry of Unification), 2005, 15.

³⁴ Republic of Korea Ministry of Unification, "Promoting Peace and Cooperation: Five Years of the Kim Dae-jung Administration," 2003. pp. 9-10.

strategy of maintaining strong deterrence requires preserving a strong alliance with the U.S. The second principle reflects the concern of the collapse and absorption scenario, which many people expected North Korea to follow after the collapse of the socialist systems of the Soviet Union and Eastern European states and the unification of Germany. North Korea proved more resilient than expected. The third principle expands inter-Korean interactions in order to overcome the mutual mistrust and hostility that developed during the Cold War and to recover national homogeneity. To facilitate greater interaction, Kim's administration separated business from politics, encouraging economic exchanges and cooperation independent of the changing dispositions of South-North politics. South Korea, through greater exchanges and cooperation, also hoped to create an environment for North Korea to reform on its own. Many South Koreans no longer talk of unification, but rather, exchanges and cooperation.³⁵ The policy focuses on interactions—exchanges and cooperation—rather than merger or unification. Exchanges and cooperation are the initial steps toward confederation.

Likewise, North Korea supports the idea of confederation. In the *Confederation as an Approach to the Unification of the Motherland*, a collection of Kim Il-sung's speeches and thoughts on the topic, Kim acknowledges the practical nature of confederation as a step toward unification. In his speech to the Supreme People's Council in 1962, Kim suggested a confederation in which South Korea's current system is left intact and each side remains independent of each other, with no interference in internal politics.³⁶ North Korea under Kim Jong-il responded positively when Kim Dae-

³⁵ Interview with Kihl-jae Ryoo, Dean of Academic Affairs, Associate Professor of Political Science, University of North Korean Studies, Seoul, June 22, 2006.

³⁶ Il Sung Kim, "Chosun Minju ju-ui Inmin Gonghwaguk Jeongbu-ui Dangmyun Gwaebob-e Daehayeo (Regarding the Tasks Facing the Government of Democratic People's Republic of Korea); a speech at the

jung announced his intention of peaceful coexistence in his March 1990 Berlin Declaration at the Free University in Berlin, a speech that included proposals for economic aid, peace establishment, separated families, and inter-government dialogue.³⁷ In 2000, Kim Dae-jung and Kim Jong-il met face-to-face for the first-ever summit between the two Koreas to sign the historic June 15 Joint Declaration to improve the inter-Korean relations. They reaffirmed the three principles of the North-South Korea 1972 Joint Communiqué—*independence, peace, and unity*—and agreed to start exchanges of separated family members, to promote balanced economic development through economic cooperation, to encourage exchanges and cooperation in society, culture, sports, health, and the environment, and to establish a dialogue between the two governments.³⁸

The governments held ministerial, military, economic, and social issues talks accompanied by exchanges in the media, arts and culture, sports, education and religion. Of note is the resumption of family reunions (held only once previously in 1985) that reunited over 1,000 families separated by the war and partition.³⁹ Economic cooperation entailed reconnecting the railroad and roads along the eastern and western corridors through the demilitarized zone (DMZ). The roads on both coasts have been connected, but North Korea refuses to connect the east coast rail road. Other pillars of economic cooperation are the promotion of Mount Geumgang tourism and the establishment of the

Supreme People's Council on October 23, 1962," in *Ryunbangje Joguk Tongil Bangahn-e (Confederation as an Approach to the Unification of the Motherland)* (Pyongyang: Chosun Rodongdang Chulpahnsah (North Korean Workers' Party Publisher), 1996), 13.

³⁷ Republic of Korea Ministry of Unification, "Peace and Cooperation: White Paper on Korean Unification 2001," 2001, 28.

³⁸ For details, see Governments of South Korea and North Korea, "June 15 South-North Joint Declaration," 2000.

³⁹ Republic of Korea Ministry of Unification, "North Korea Facts and Figures," Seoul, 2006.

Gaesong Industrial Complex (GIC), both in North Korea. Mount Geumgang is famous for its scenic beauty and has a deep psychological symbolism for Koreans. Gaesong, a one-time ancient capital, also has military importance; a North Korean military unit moved to the rear of Gaesong to accommodate the building of the business complex. Gaesong is conveniently located near the DMZ and the South Korean cities of Seoul (the source of capital), and the port city of Incheon (international shipping). Militarily, in addition to the military talks, the road connection required the removal of mines in parts of the DMZ, which was completed in 2002.⁴⁰ The two states built the military hotline originally agreed to in the 1972 Joint Communiqué, but implemented only after the summit and ensuing rapprochement.

The emphasis on the peaceful, gradual approach in South Korea emerged after the enormous cost of German unification shocked the public. The two sides began working on reconciliation during the 1990s, but Kim Dae-jung took it to new heights with his Sunshine Policy and the 2000 summit with Kim Jong-il. Exchanges, although modest by world standards, increased dramatically, including family reunions, cultural and civic exchanges, tourism to Mount Geumgang, and business deals at the Gaesong Industrial Complex. The summit and the ensuing exchanges dramatically changed the South Korean public's perception of North Korea from a threat to that of a misunderstood brother. While a formal peace treaty would signify official cessation of viewing each other as enemies, the change in image and perception in South Korea was a dramatic first step. South Korea provided significant amounts of food, fertilizer, and other aid to North

⁴⁰ Republic of Korea Ministry of Unification, "Promoting Peace and Cooperation: Five Years of the Kim Dae-jung Administration," 131.

Korea, including millions for the Mount Geumgang tourism project and GIC.⁴¹ The problem, however, was reciprocity.

The change in public perception in South Korea was not matched in North Korea. Thousands of South Korean tourists and business workers have gone to North Korea, but contact with average North Koreans is prohibited, and while some separated families have met in family reunions, North Korea does not allow home visits or mail exchanges. Korea specialist Andrei Lankov doubts the effectiveness of the South Korean approach under the Sunshine Policy, arguing that South Korea seemed to be avoiding the cost of unification by keeping the North Korean regime afloat through large amounts of aid while encouraging North Korea to reform, which is not likely forthcoming.⁴² South Korea's engagement policy was unsuccessful at building trust, and North Korea continues to deny recognition to South Korea. Another Korea specialist notes that the Ministry of Unification is more aptly called the Ministry of Division, as its goal is not unification, but prolonging the unification to avoid instability and the social and economic consequences of unification.⁴³ According to senior-ranking North Korean defector Hwang Jang-yup, the North's confederation plan is a political cover to keep the international community off guard while sowing chaos in order to lead South Korea to a revolution and a new socialist government, which then would cooperate with the Kim regime to unify the country.⁴⁴

Aid without reciprocity has been halted since the inauguration of South Korea's current president Lee Myung-bak. With his emphasis on reciprocity and transparency as

⁴¹ Interview with Park.

⁴² Interview with Andrei Lankov, North Korea specialist and professor, Seoul, June 20, 2006.

⁴³ Interview with Bryan Myers, North Korea specialist and professor, Seoul, June 26, 2006.

well as resolving the nuclear issue first, the inter-Korea exchanges have come to a virtual standstill. Mount Geumgang tourism was halted after a North Korean soldier shot and killed a female tourist and the activities at Gaesong significantly decreased after North Korea expelled South Korean officials from the complex and blocked the commuter road. A North Korean delegation, while on a visit to Seoul to attend Kim Dae-jung's funeral, discussed re-opening the lines of communication. More talks have since occurred, but without yet reaching agreement on terms.

Especially during the Sunshine Policy of Kim Dae-jung and the Peace and Prosperity Policy (continuation of Sunshine) of Rho Moo-hyun, South Korean leaders focused on the functional nature of confederation. The gradual peaceful approach, with a long time horizon of several decades or more, may prove more difficult than anticipated. Due to its long time horizon of several decades or more, it is possible that events could lead to unification quicker, as described in the war and collapse scenarios below.

SCENARIO: WAR

The second scenario describes a desperate outgoing North Korean regime deciding it has nothing to lose, attacking South Korea, and then suffering defeat in war. Another possibility is that a successor to Kim Jong-il will decide to reunify by attacking South Korea.⁴⁵ War could also result from escalation of a minor skirmish, such as a border clash. Analysts anticipate that such a war would cause severe damage, but the combined forces of South Korea and the U.S. would win the conflict, and South Korea

⁴⁴ Jang Yup Hwang, "North Korea's Southern Policy and Inter-Korean Relations," in *Testimonies of North Korean Defectors*, fas.org, January 1999, <http://www.fas.org/irp/world/rok/nis-docs/>.

⁴⁵ Peter Humphrey, "Korean Reunification: How It Will Happen," *American Intelligence Journal* 26, no. 2 (Winter 2008/2009): 71.

would absorb North Korea. The U.S., China, and international entities would play greater roles in the war scenario, and the infusion of funds would be quicker due to the pressing need to restore stability.

The main reasons the war scenario demands careful consideration is because North Korea continues to develop its military capability and its intention of reunifying Korea under Northern rule has not changed. As recently as October 12, 2009, North Korea test fired five short-range missiles toward the sea from its East coast.⁴⁶ By testing its most advanced short-range missile, the KN-02, North Korea displayed its continued efforts to develop missiles as well as its military capability. It is unclear why North Korea would test missiles while trying to arrange talks with the U.S. after the Chinese premier's recent visit, or why North Korea conducted its test only hours after South Korea proposed talks on the family reunion issue after a two-year lull in inter-Korean talks.

North Korea has not changed its strategy. With 1.2 million troops, North Korea has the world's fifth largest military. Pyongyang spends about a quarter of its gross domestic product (GDP) on the military.⁴⁷ Since the 1990s, North Korea is assessed to deploy 70 percent of its military within 40-60 miles of the demilitarized zone.⁴⁸ The forward deployment of such a large force means that the ROK-U.S. military has less warning time of aggression from the North. Numerous artillery and tanks are poised to attack Seoul metropolitan area, 30 miles south of the DMZ, South Korea's political,

⁴⁶ Sam Kim, "N. Korea test-fires missiles, draws line ahead of talks: analysts " *Yonhap News Agency*, October 12, 2009, <http://english.yonhapnews.co.kr/national/2009/10/12/23/0301000000AEN20091012007100315F.HTML>.

⁴⁷ "Background Note: North Korea," U.S. Department of State, August 2009.

economic, and cultural center with 25 million inhabitants.⁴⁹ North Korea's strategy of unification includes fomenting a revolution within South Korea, which leads to unification, with force if necessary, under the North Korean regime.⁵⁰ According to Hwang Jang-yup, Kim Jong-il has declared that should North Korea implode, 'we'll take the rest of the world with us.'⁵¹ This declaration suggests that a collapsing North Korea could start a war out of desperation.

No doubt the devastation would be colossal and swift, if North Korea were to attack. However, the prediction is that the Combined Forces Command would ultimately defeat North Korean aggression. A ROK-U.S. victory would spell the demise of the North Korean regime and the beginning of the absorption process. This scenario would allow the U.S. and South Korea to rapidly establish control over the North's nuclear weapons and facilities. Stability operations would quickly follow. The common interest in rapidly establishing stability could lead to multilateral cooperation. There would be less ambiguity about the presence of the ROK and U.S. military forces in northern Korea since the conflict would bring the military forces there and the victorious parties would then stay to provide stability and build local capacity to provide for the people.

The scenario is complicated by China's role. To what extent would China go to in order to prevent the North Korean regime from falling, either with or without requests for assistance? Out of concern for North Korea's stability, Beijing has provided

⁴⁸ Jr. Bechtol, Bruce E., "Understanding the North Korea Threat to the Security of the Korean Peninsula and East Asia: Declined or Evolved?," in *Korea at the Crossroads: Challenges and Prospects; IKS International Conference*, Seoul, The Institute of Korean Studies, November 17, 2008, 6.

⁴⁹ "Sudogwon Ingu Jibjoong Hyunhwang (Current Population of Metropolitan Capital Area)," Narajipyo, 2009.

⁵⁰ Hwang, "North Korea's Southern Policy and Inter-Korean Relations."

⁵¹ Jang Yup Hwang, "Preparations for War in North Korea," in *Testimonies of North Korean Defectors*, fas.org, January 1999.

assistance, especially grains and crude oil, to Pyongyang since the mid-1990s.⁵² China may send its forces along or beyond its borders to avert or manage instability in North Korea.⁵³ China's entrance into the conflict could complicate the situation, especially if it were to establish a buffer zone with Chinese troops inside northern Korea.

Although North Korean military capability is formidable, this scenario is less likely given the credible deterrence of the U.S.-ROK alliance, less enthusiastic support for a North Korean military adventure by China and Russia, and the North Korean awareness of the high probability that its regime would not survive the war.

SCENARIO: COLLAPSE

In the third scenario, North Korea collapses due to its unsustainable system or to succession problems, and South Korea absorbs North Korea. Interest in the collapse scenario surged after German unification, the fall of the communist regimes in Eastern and Central Europe, and the disintegration of the Soviet Union.⁵⁴ The North Korean government's inability to provide for its people with its failed economic system, however, has not led to its collapse. Nonetheless, the North Korean regime is acutely aware of the possibility. In the treatise *On the Fundamentals of Revolutionary Party Building*, Kim Jong-il writes:

The setback faced by socialism in a number of countries is a serious lesson for us... The collapse of parties which had been building socialism was an abnormal occurrence... If its organizational and ideological bases are solid, the socialist ruling party can thwart all the schemes of the imperialists and class enemies to undermine the party... Renegade socialists and reactionaries, talking about 'democracy' and 'glasnost', used the shortcomings revealed in the socialist ruling

⁵² Pollack and Lee, *Preparing for Korean Unification: Scenarios & Implications*, 14.

⁵³ Scott Snyder and Joel Wit, "China Views: Breaking the Stalemate on the Korean Peninsula," in *USIP Special Report No. 183*, Washington, DC, United States Institute of Peace, February 2007, 7.

⁵⁴ Mitchell, "A Blueprint for U.S. Policy toward a Unified Korea," 5.

parties as a means of misleading the public opinion... The historical lesson from the collapse of the socialist ruling parties and of the socialist systems in many countries is that the purity of the socialist idea must be maintained firmly if the cause of the socialism is to be completed.⁵⁵

Kim Jong-il further states that *Juche*, or self-reliance, ideology is fundamental to a more revolutionary and militant party to continually promote the cause of socialism.⁵⁶

Although far from self-reliant in practice, Kim's promotion of *Juche* and *Seon-goon* are attempts to strengthen the ideological foundation of the people in order to prevent discontent that may cause regime collapse. North Korean regime chose to promote *Juche* and *Seon-goon* policies to reinforce the ideological basis to support the regime, instead of instituting real reforms focused on systemic change. Consequently, North Korea has suffered from famine and continued weakness in its economy, which may prove to be difficult to sustain. In other words, North Korea may indeed implode, and unification could occur as South Korea absorbs a collapsed North Korea.

A variation is the collapse scenario combined with an armed conflict, if a border skirmish escalates into war or a designated successor is unable to maintain power, extract loyalty, and assert internal control.⁵⁷ With the loss of central control, factional power struggles could involve violence, leading to civil war.⁵⁸ Another possibility is ROK-U.S. forces facing insurgency in North Korea after North Korea's defeat. Any violence, such as these few mentioned, could make post-collapse management dramatically more difficult since humanitarian operations must occur concurrently with the counter-insurgency or war.

⁵⁵ Jong Il Kim, *On the Fundamentals of Revolutionary Party Building: A Treatise written on the Occasion of the 47th Anniversary of the Foundation of the Workers' Party of Korea, October 10, 1992* (Pyongyang: Foreign Language Publishing House, 1992), 2-10.

⁵⁶ Kim, 11.

⁵⁷ Pollack and Lee, *Preparing for Korean Unification: Scenarios & Implications*, 64.

In summary, the gradual and peaceful approach, considered the least disruptive, may not necessarily lead to unification. War is possible but not likely in the current context, although some sort of armed conflict may result from the desperation of an outgoing regime or a border skirmish spiraling out of control. Although North Korea has defied predictions of its collapse since the early 1990s, its precarious circumstances may yet lead to collapse and absorption by South Korea.

B. Unification Cost

In *Avoiding the Apocalypse*, Marcus Noland reviews various studies that estimate Korean unification costs. Cost estimates vary widely: \$3.1 trillion, \$1.2 trillion, \$600 billion, \$200 billion, and minus \$541 billion.⁵⁹ Noland points out that most studies use the German experience and measure the costs in terms of budgetary expenditures; benefits are viewed as offsetting possibilities, primarily military demobilization. The problem with such calculation is that the North Korean military, like the majority of the South Korean military, consists of conscripts, who are paid less. Thus the savings from demobilization would not be as great. On the other hand, conscripts would presumably switch from low-productivity military activities to higher productivity activities, creating a larger tax base, thereby reducing the unification cost.⁶⁰ Most of these figures have unification dates of 2006 or earlier. Given inflation and the widening gap between the two Koreas, current and future figures would be higher.

⁵⁸ Maxwell, "Catastrophic Collapse of North Korea: Implications for the United States Military," 18.

⁵⁹ See the estimates chart in Noland, *Avoiding the Apocalypse*, 308.

⁶⁰ Noland, 308.

Other studies widen the unification cost estimate range even further. Charles Wolf and Kamil Akarmov give estimates of \$50 billion to \$667 billion,⁶¹ while Peter Beck provides the most recent estimate of \$2 trillion to \$5 trillion over 30 years.⁶²

The actual cost is difficult to assess. Whether the cost is hundreds of billions of dollars, or trillions of dollars, it will be huge. Cost is a significant factor for South Korea, which prefers a slower approach to unification. The German case of sudden unification showed that the cost borne by the western half of Germany is high. The former West Germany transferred \$1.4 trillion to the east side during 1991-2004, about 5-6% of the cumulative GDP.⁶³ The income gap is greater in Korea than in Germany, leading to the conclusion that the unification cost for Korea would be much higher. The cost frightens South Koreans, leading them to prefer a longer term approach to develop North Korea. However, as South Korea's economy continues to grow at a faster rate than North Korea's, the gap will continue to increase, making longer term unification even more costly. The anticipated costs are estimates only and would vary depending on a variety of factors including the nature and timing of the collapse.

C. Background on Regional Powers and Bilateral Relations

Korean unification would be a momentous event in the region, affecting not only Korea, but the interests and behaviors of the surrounding major powers. What would be the role of South Korea during the unification process? What impact would China, the

⁶¹ Charles Wolf, Jr. and Kamil Akramov, *North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification* (Santa Monica: RAND, 2005), 39.

⁶² Peter Beck, "Contemplating Korean Reunification," *The Wall Street Journal*, January 4, 2010, <http://online.wsj.com/article/SB10001424052748704340304574635180086832934.html>.

⁶³ Wolf and Akramov, *North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification*, 28., p. 28.

U.S., Japan, and Russia have on the unification? What would a unified Korea look like? Will the dynamics among nations change and if so, how? An examination of Korea's bilateral relations with its neighbors helps to illuminate the answers to these questions.

In describing Korea's relations with surrounding countries, the focus is mainly on South Korea, not North Korea, although sometimes "Korea" is used to refer to both Koreas. Security concerns, unresolved historical issues, and territorial disputes are major features of bilateral relations. At the same time, growing economic ties link the economies of Korea and the regional powers, making their growth and prosperity more interdependent.

A key issue between South Korea and the U.S. is the alliance. As long as North Korea is a military threat to South Korea, its alliance with the U.S. will endure, writes Robert Dujarric in *The Future of Korea*.⁶⁴ After unification, when North Korea ceases to be a threat, Seoul would be able to redefine its policy toward the U.S. Coupled with nationalism and the desire to be more independent, this cessation of threat could reduce the level of the unified Korea's security relationship with the U.S. However, the U.S. would also be an insurance policy against China's effort at hegemony or Japan's move toward militarism.⁶⁵ Both South Korea's security concerns and the U.S. interests are important when considering the wartime operational control transfer from the current U.S. general, who is the commander of the ROK-U.S. bi-national entity Combined Forces Command, to a ROK general. In South Korea, Rho Moo-hyun officials politicized the issue without considering military efficiency and the possible unintended

⁶⁴ Robert Dujarric, *Korean Unification and After: The Challenge for U.S. Strategy* (Indianapolis: Hudson Institute, 2000), 24.

⁶⁵ Dujarric, 24.

reduction of South Korean security.⁶⁶ This decision would require careful handling by both sides.

There is a concern that if the U.S. withdraws its military after the Korean unification, there would be a power vacuum and China would move in to fill the void. During Rho Moo-hyun administration, it appeared that South Korea was leaning towards China, with dramatically increased diplomatic and trade relations, as well as close historical ties. Harrison writes that this analysis distorts the historical record of Korea-China relations and dismisses the importance of Korean nationalism.⁶⁷ Korea has respected China for its culture and shares the Confucian legacy, but Korea does not want to return to the pre-modern tributary relations with China. In addition, there could be an emergence of a latent territorial conflict over the border area in northeastern China, an area with historical and ethnic ties to Korea.⁶⁸ The contest between South Korea and China for ownership of the history of the ancient *Goguryeo* kingdom, which encompassed a considerable area that comprises most of the Korean Peninsula and a large part of northeast China, may provide a window to the future area of conflict. Despite the possibilities for disputes, Korea-China relations are good overall, with burgeoning trade and investment relations. Complementarity between South Korean and Chinese policy and their approaches in dealing with North Korea shows their common interest in ensuring regional stability. Eric McVadon writes that China has by far the

⁶⁶ Hyeong Jung Park, "Looking Back and Looking Forward: North Korea, Northeast Asia and the ROK-U.S. Alliance," Washington, DC, The Brookings Institutions, December 2007, 14.

⁶⁷ Harrison, *Korean Endgame: A Strategy for Reunification and U.S. Disengagement*, 306.

⁶⁸ *Ibid*, 307.

most comprehensive relations with the two Koreas compared with any other country, highlighting the peninsula's importance to China.⁶⁹

Korea-Japan relations continue to evolve, but fundamental distrust prevents the resolution of historical and territorial disputes and the forging of closer ties between the two countries. This inability to move forward in the Korea-Japan relations is a theme repeated in numerous writings, including Michael Green's *Japan's Reluctant Realism*, Yutaka Kawashima's *Japanese Foreign Policy at the Crossroads*, and Takashi Inoguchi's *Japan's Asian Policy*. For instance, Green states that Japan-Korea relations have been marked by more antagonism than cooperation for the past four centuries.⁷⁰ However, economically, the two countries are linked closely, and Japan would be an important source of capital and assistance during the unification process. Japan would also like to see a unified Korea that is stable and friendly to Japan.

In the past century, Russia has fought wars on the peninsula to protect its great power interests. Since the end of the Cold War, Russia's influence has been eclipsed by the other major powers in Northeast Asia. According to Samuel Kim, Russia's Northeast Asia policy has three components: 1) to ensure a peaceful and stable external environment conducive to domestic reforms, 2) to set up stable partnerships with the region's leading economic powers, including South Korea, 3) and to return to the great powers game in Northeast Asia.⁷¹ Joseph Ferguson states that Russia aims to carve out a

⁶⁹ Eric A. McVadon, "China's Goals and Strategies for the Korean Peninsula," in *Planning for a Peaceful Korea*, ed. Henry D. Sokolski (Carlisle: Strategic Studies Institute, U.S. Army War College, February 2001), 132.

⁷⁰ Michael J. Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power, A Council on Foreign Relations Book* (New York: Palgrave, 2003), 112.

⁷¹ Samuel S. Kim, "China, Japan, and Russia in Inter-Korean Relations," in *Korea Briefing 2000-2001: First Steps Toward Reconciliation and Reunification*, ed. Kongdan Oh and Ralph C. Hassig (New York: Asia Society, M.E. Sharpe, 2002), 139.

place for itself in any major security initiative for the Korean Peninsula to maximize Russia's leverage and contribute to its main goal of regional stability, which would in turn help advance the economic development of the Russian Far East.⁷² South Korea and Russia have discussed economic and energy cooperation, culminating in a recent agreement to link South Korea's railway to Russia's Trans Siberian Railroad (TSR). They also agreed to build a gas pipeline connecting the two countries. If they can convince North Korea to allow the railroad and pipeline to go through North Korea, these would be major projects with significant economic benefit to all parties concerned. Through these projects, Russia may also regain some of its prestige and influence.

D. Unification Challenges and Responses

Visualizing the aftermath of a collapse in North Korea conjures up images of numerous challenges including social disorder, failure to provide for people's basic needs, mass migration, and loss of control of nuclear weapons. How these challenges are handled, and by whom, would affect the international relations and stability in the region.

Moo Bong Ryoo, a ROK Army officer, describes possible courses of action (COAs) for stability operation in North Korea after a collapse resulting from a cause other than war.⁷³ He assumes no internal or external conflict and the involvement of multinational forces, international entities, and non-governmental organizations (NGOs). Because the South Korean constitution and public would prompt the ROK government into action, one COA he considers is ROK Army-led stability operations.⁷⁴ He says that

⁷² Joseph P. Ferguson, "Russia's Role on the Korean Peninsula and Great Power Relations in Northeast Asia: Ramifications for the U.S.-ROK Alliance," in *NBR Analysis*, 2003, 33.

⁷³ Moo Bong Ryoo, "The ROK Army's Role When North Korea Collapses Without a War with the ROK," Fort Leavenworth, School of Advanced Military Studies, U.S. Army Command and General Staff College, February 1, 2001, 41.

⁷⁴ Ryoo, 42.

with 560,000 active duty and three million reserve personnel, the ROK Army would have sufficient manpower to quickly deploy two divisions for disaster relief and community assistance. He believes that the transition to a ROK civilian government would be faster and smoother as it would not require an interim government that might repeat the experience of the UN Protectorate situation at the end of World War II that ultimately resulted in the division of Korea.⁷⁵ He emphasizes that the disadvantages would be the high cost to the ROK government and the ROK Army's limited peacekeeping experience.

A recent report from the Center for U.S.-Korea Policy also suggests that the South Korean army prepare and lead the multinational and interagency stability and support operations in cooperation with the major powers.⁷⁶ The report stresses the importance of international endorsement, such as a United Nations (UN) Security Council mandate, for stability operations in North Korea. Another priority is providing strategic assurance to China that U.S.-ROK stabilization efforts would not undermine Chinese interests, and assuring Japan that it will not be marginalized.⁷⁷ After a collapse, the priorities would be military disarmament, economic reconstruction, and social integration.

Nicholas Eberstadt contends that despite the fears of the challenges posed by unification, North Korea is more likely to implode than to muddle through. From his perspective, the sooner reunification occurs, the better.⁷⁸ Ebersadt asserts that the wholesale reconstruction of the industrial base of North Korea could reduce production costs, enhance work force skills, and establish the basis for sustained economic growth.⁷⁹ This venture would have spillover effects for southern Korea as well as for Northeast Asia, contributing to prosperity in the region.

⁷⁵ Ryoo, 42.

⁷⁶ "North Korea Contingency Planning and U.S.-ROK Cooperation," in *A Project of the Asia Foundation*, Seoul, Center for U.S.-Korea Policy, September 2009, 9.

⁷⁷ "North Korea Contingency Planning and U.S.-ROK Cooperation," 10.

⁷⁸ Nicholas Eberstadt, "Hastening Korean Reunification," *Foreign Affairs* 76, no. 2 (1997): 79.

⁷⁹ Eberstadt, 83.

The loss of control of nuclear weapons and related materials, facilities, and personnel is a major concern for the U.S. and other powers in the region. Michael O'Hanlon examines the possible collapse of two nuclear-armed countries, North Korea and Pakistan, and the implications of an anarchical environment that would permit the purchase or confiscation of nuclear weapons by a terrorist group.⁸⁰ O'Hanlon implies that timely intelligence and actions are crucial, noting that weapons locations would be difficult to determine and that nuclear weapons could be moved within hours.⁸¹

Warnings of the importance of securing nuclear weapons and materials is echoed in various writings on unification scenarios, including Maxwell's "Catastrophic Collapse of North Korea," the Center for U.S.-Korea Policy's "North Korea Contingency Planning and U.S.-ROK Cooperation," and Stares' and Wit's "Preparing for Sudden Change in North Korea." These studies also emphasize the need for security and stability, humanitarian assistance, and economic development.

E. Summary

The extensive literature on the unification of North and South Korea reveals several topics of particular importance for this study. These topics, reviewed in this chapter, include a variety of unification scenarios, which can be classified into three main categories: gradual and peaceful unification between North and South Korea, a collapse of the North and absorption into the South, and war. Research on the economic costs of unification, the impact of unification on Korea's relations with regional powers, and

⁸⁰ Michael O'Hanlon, "Dealing with the Collapse of a Nuclear-Armed State: The Cases of North Korea and Pakistan," in *The Princeton Project on National Security Papers*, Princeton, The Woodrow Wilson School of Public and International Affairs, Princeton University, 2009, 1.

⁸¹ O'Hanlon, 3.

possible responses to challenges posted by unification are also reviewed, as this literature helps in the analysis presented in later sections of this study.

CHAPTER 3: THINKING ABOUT COLLAPSE: FRAMEWORK AND METHODS

The purpose of this chapter is to describe the framework and methods used for the research on the collapse scenario presented in the next three chapters. The chapter includes a summary of the main findings of interviews conducted by the author in the course of the research for this study.

The primary resources for this study are personal interviews conducted by the author, written works in Korean language, and government documents. The interviews were conducted with government officials, experts, academics, and practitioners from both South Korea and the United States. Most interviews were conducted in Seoul and Washington, DC. Other interviews were conducted in New York, Tokyo, and elsewhere as opportunities arose. Books and other written materials in the Korean language also provide wealth of information and Korean perspectives. Some Korean language materials are from North Korea, offering a glimpse of North Korean viewpoints. While most are propaganda materials, careful analysis with attention to context can provide useful insights. Landmark government documents, such as the "Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation Between South and North Korea (The Basic Agreement)," present credible legal bases for understanding the policies and politics of the time. Such documents also represent the culmination of various factors that reflect the politics and mood of the time. Additional sources are conference papers, books in English, surveys, reports, press articles, and other publications.

The data interpretation methods include historical analysis, hermeneutical analysis and content analysis. The historical analysis is applied to South Korea's changing unification policy over time. Hermeneutics focuses on interpreting texts for meaning. This method requires the reader to understand the social, cultural, and political context in which the writing was produced. Also useful is content analysis, which involves systematically gleaning a large amount of data to detect the patterns and most important structures of the hidden content of communications.

A. Data Collection

INTERVIEWS

The majority of interviews were with government officials, experts, academics, and practitioners from both South Korea and the United States. Interviews were conducted face-to-face in Seoul (June-August 2006), Washington, DC (September 2006), New York (May 2006), and Tokyo (August 2006).

In Seoul, officials from the following institutions were interviewed: the Ministry of Unification (MOU); Korea Institute of National Unification (KINU), which is a research institution associated with MOU; the Ministry of Foreign Affairs and Trade (MOFAT); the Institute of Foreign Affairs and National Security (IFANS), which is a research institution associated with MOFAT; the Ministry of National Defense (MND); the Korea Institute for Defense Analyses (KIDA), which is a research institution associated with MND; the Korea Institute for International Economic Policy (KIEP); Korea National Defense University (KNDU); the Research Institute on National Security Affairs (RINSA), which is a research institution associated with KNDU; and the National

Assembly Library. Also interviewed were professors from the following universities: University of North Korean Studies, Yonsei University, Seoul National University, Choong-ang University, and Inje University. Experts and practitioners in the private sector were also interviewed, including representatives of Hyundai-Asan, *Joong-ang Ilbo* newspaper, the International Crisis Group, Korea Associates Business Consultancy, and the Royal Asiatic Society. Additionally, former Korean presidential advisers were interviewed. The interviews also included officials from the U.S. Embassy in Seoul, U.S. Force Korea (USFK), Combined Forces Command (CFC), and the United Nations Military Armistice Commission (UNCMAC) Secretariat.

In Washington, DC, interviews and discussion were conducted with officials and experts from the U.S. Defense Department, State Department, National Security Council, South Korean Embassy, the Center for Strategic and International Studies (CSIS), Asia Policy Point, the Korea Economic Institute (KEI), the Heritage Foundation, the International Institute of Economics (IIE), the Institute of Defense Analyses (IDA), the Mansfield Foundation, the East-West Center, the School of Advanced International Studies (SAIS), the Advisory Group to South Korean Minister of Unification, former senior policy makers in South Korea and the U.S., and private sector consulting groups.

In New York, interviews were conducted with former ambassadors to South Korea and the Korean Peninsula Energy Development Organization (KEDO) as well as a senior official in the State Department and a Korea scholar. In Tokyo, small-group discussions were conducted with government, research institutions, private sector, and media specialists interested in Korea-Japan relations.

DISCUSSIONS AND OBSERVATIONS

The author lived in Seoul from 2007 to 2009. During that time, the author had discussions on Korean issues with a variety of people, including members of the general public, government officials, military personnel, experts, foreign residents who follow Korean issues, and defectors from North Korea. These discussions provided useful insights and different perspectives on various relevant issues. Talking to defectors and to those who have been to North Korea provided a rare glimpse of the situation in North Korea and the border region with China. Discussions with military and government officials gave additional insight into the unification issue as well as ROK-U.S. alliance relations, especially concerning the operational control transfer. The author observed firsthand the large demonstrations against the Korea-U.S. Free Trade Agreement (KORUS FTA) and sensed the mood at that time on the issue and its potential impact on the ROK-U.S. relations. The most recent South Korean presidential election also occurred during the author's residency in Korea. The policy shift toward North Korea, from generosity without reciprocity to action-for-action, while not extreme, was clear. Talking to the general public gave a sense of a variety of views on issues ranging from unification to the North Korean nuclear and missile tests to ROK-U.S. relations. Foreign residents who have attended to Korean issues also provided a helpful perspective on these issues.

CONFERENCE PAPERS

Papers from conferences the author attended are important sources for this research. Conferences included the New Era: New Korea-US Alliance, sponsored by the East Asia Institute in Seoul (July 2008); Peace on the Korean Peninsula and the

Security Environment in Northeast Asia, sponsored by University of North Korean Studies, the Woodrow Wilson Center for Scholars, and the Institute for Far Eastern Studies of Kyongnam University in Seoul (May 2008); the CSIS Conference on the United States and Korea 2006 (October 2006); and the Second International Symposium on North Korea: North Korean Development and International Cooperation (July 2006).

GOVERNMENT DOCUMENTS

The MOU publishes an annual "White Paper on Korean Unification" describing current policy at the time of publication, background information, any measures implemented, and the way ahead. The MOU also publishes an annual "White Paper on the State of North Korean Economy," including information on North Korean military and nonmilitary industries, special economic zones, and South-North economic cooperation, and statistical data not readily available elsewhere.⁸² In addition, various research institutions associated with government entities produce reports on unification and South Korea's relations with neighboring countries. These documents are generally not available from internet sources. Korean-language documents consulted for this research include "The Creation of New International Relations Structure in East Asian Era," edited by Dong-sung Kim et. al; "Peace, Prosperity and National Security: National Security Strategy of the Republic of Korea," by the National Security Council of Korea; "Analysis of the Positions of Four Neighboring Countries regarding the Unification Issue on the Korean Peninsula," edited by Yong-ho Park et. al.

⁸² Korea Institute for International Economic Policy, "2003/04 Bukhan Gyungje Baeksuh (2003/04 White Paper on North Korean Economy)," Seoul, KIEP, 2003/04.

Comparing different years of the Unification White Paper reveals changing themes and emphasis resulting from changing administrations and their differing policies. The White Paper of 1995 describes the history of partition in detail, with 129 pages devoted to explaining the partition from the end of the Japanese occupation in 1945 through time of publication. It covers a wide range of issues, such as North Korea's unification policy and North Korea's pursuit of a nuclear weapons program.⁸³ In contrast, the 2005 version explains the background in a mere four pages.⁸⁴ It focuses more on explaining the Peace and Prosperity Policy and achievements of South-North engagement, and does not cover contentious issues like North Korea's nuclear ambitions. The 2005 edition, produced during Rho Moo-hyun's presidency, emphasizes inter-Korea cooperation and avoids issues and terminology that might provoke North Korea. For example, to describe North Korean defectors, it uses the new term *sehteomin* (new settler) rather than the usual term *tahlbukja* (escapee from North Korea).

BOOKS AND DOCUMENTS IN KOREAN

These translated titles indicate the topics covered in the Korean-language books consulted for this research: *A Study of North Korean Economic Reform* by Yun-chul Kim and Soon-sung Park; *Globalization and Korea*, edited by Young-kwan Yoo and Young-ja Bae; *Regional International Order and the Korean Peninsula*, edited by Sang-sub Park and Jae-sung Jun.⁸⁵ The MOU-sponsored library in Seoul contains books, newspapers

⁸³ "Tongil Baeksuh (Unification White Paper 1995)," Tongilwon (Republic of Korea Office of Unification, predecessor to the Ministry of Unification), 1995, 11-140.

⁸⁴ "Peace and Prosperity: White Paper on Korean Unification 2005," ed. Republic of Korea Ministry of Unification, 2005, 13-16.

⁸⁵ Yun-chul Kim and Soon-sung Park, eds., *Bukhan Gyungje Gaehyuk Yungu (The Study of North Korean Economic Reform)* (Seoul: Humanista, 2002). Young-gwan Yoon and Young-ja Bae, eds., *Segehwa-wa Hanguk (Globalization and South Korea)* (Seoul: Uelyoo Publications, 2003). Sang-sub Park and Jae-sung

and other publications from North Korea as a result of the 2000 summit agreement between South and North Korea on exchanges and cooperation. One such book is *Mahn-nahm (The Meeting)*, a North Korean novel about the 2000 North-South Summit.⁸⁶ Another North Korean document, authored by Kim Jong-il, *Let us Prepare the Young People Thoroughly as Reliable Successors to the Revolutionary Cause of Juche*, shows Kim Jong-il's effort to inculcate the *Juche* ideology in North Korean youth through the League of Socialist Working Youth.⁸⁷ As many are propaganda pieces, these North Korean materials require careful hermeneutical or content analysis to decipher their meanings.

Furthermore, the MOU White Papers written in Korean and its translated versions in English sometimes have different meanings. For instance, the English version of the Unification White Paper of 2005 states that the first president of South Korea, Rhee Seungman, "called for the unification of the Peninsula by advancing into North Korea," which gives the impression that Rhee advanced into North Korea, a view that is not in most academic literature.⁸⁸ The Korean version of the White Paper does not state that Rhee advanced into North Korea; it states that Rhee advocated *Bukjintongil* or unification *via* advancing into North Korea.⁸⁹ There is a difference between an actual advancement into North Korea and advocating that policy. The difference in the two versions may be a

Jun, eds., *Geundae Gukje Jilsuh-wa Hanbando (Recent International Order and the Korean Peninsula)* (Seoul: Uelyoo Publications, 2003).

⁸⁶ This novel's main characters are a South Korean man traveling with the South Korean president to North Korea for a summit and a North Korean woman, whom he meets and falls in love. In this novel, the man symbolizes South Korea and the woman signifies North Korea, and how they overcome the boundaries as one, symbolic of one people. Nam-ho Kim, *Mahn-nahm* (Pyongyang: Pyongyang Publications, 2001).

⁸⁷ Jong-il Kim, "Let Us Prepare the Young People Thoroughly as Reliable Successors to the Revolutionary Cause of Juche," Pyongyang, Foreign Language Publishing House, 1993, 1.

⁸⁸ "Peace and Prosperity: White Paper on Korean Unification 2005," 13.

⁸⁹ "Tongil Baekseo 2005 (Unification White Paper 2005)," 13.

translation error or an intentional act to influence the foreign audience by the Ministry of Unification, which during the Rho Moo-hyun administration was dominated by those who may be considered more sympathetic to North Korea. It is thus important to peruse the documents written in Korean, the original source.

BOOKS IN ENGLISH

The *Two Koreas* by Don Oberdorfer provides an overview of contemporary Korean history, from when the Koreas emerged until shortly after the historic 2000 summit between South and North Korea.⁹⁰ Other noted books on contemporary Korean issues, mainly unification and Korea's relations with its neighbors, include *Korean Endgame: A Strategy for Reunification and U.S. Disengagement* by Selig S. Harrison, *Korea Briefing 2000-2001: First Steps Toward Reconciliation and Reunification* edited by Kongdan Oh and Ralph C. Hassig, and *Korea's Place in the Sun: A Modern History* by Bruce Cumings.⁹¹ Books focusing on North Korea include *The Guerilla Dynasty: Politics and Leadership in North Korea* by Adrian Buzo, *North Korea Through the Looking Glass* by Kongdan Oh and Ralph C. Hassig, and *North of the DMZ: Essays on Daily Life in North Korea* by Andrei Lankov.⁹² Unification scenarios are covered in *Preparing for Korean Unification: Scenarios & Implications* by Jonathan D. Pollack and Chung Min Lee, *Projecting Pyongyang: The Future of North Korea's Kim Jong-il*

⁹⁰ Don Oberdorfer, *The Two Koreas: A Contemporary History* (Indianapolis: Basic Books, 2001).

⁹¹ Harrison, *Korean Endgame: A Strategy for Reunification and U.S. Disengagement*. Kongdan Oh and Ralph C. Hassig, eds., *Korea Briefing 2000-2001: First Steps Toward Reconciliation and Reunification, Korea Briefing* (Armonk: M.E. Sharpe; the Asia Society, 2002). Bruce Cumings, *Korea's Place in the Sun: A Modern History* (New York: W. W. Norton & Company, 1997).

⁹² Adrian Buzo, *The Guerilla Dynasty: Politics and Leadership in North Korea* (New York: I.B. Tauris & Company Limited, 1999). Kongdan Oh and Ralph C. Hassig, *North Korea: Through the Looking Glass* (Washington, DC: Brookings Institution Press, 2000). Andrei Lankov, *North of the DMZ: Essay on Daily Life in North Korea* (Jefferson: McFarland and Company, Inc., 2007).

Regime by Andrew Scobell, and *North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification* by Charles Wolf, Jr., and Kamil Akramov.⁹³ The latter also estimates the unification cost. Unification cost estimates are also presented in *Avoiding the Apocalypse: The Future of the Two Koreas* by Marcus Noland.⁹⁴ Post-unification Korea's relations with the U.S., China, Japan, and Russia are covered in *Korea: Security Pivot in Northeast Asia*, edited by Robert Dujarric; *A New Alliance for the Next Century: The Future of U.S.-Korean Security Cooperation* by Jonathan D. Pollack and Young Koo Cha; and *The Future; Japan's Asian Policy: Revival and Response*, edited by Takashi Inoguchi.⁹⁵ These publications provide valuable insights and background information as well as specific information on topics relevant to the research in this dissertation.

SURVEYS

Surveys are an important barometer of attitudes and opinions about certain issues. For this research, useful information includes attitudes about unification and about Korea's relations among the regional powers. Public opinion on such issues might very well translate into national policy, or affect existing policy on unification and Korea's bilateral relations with the regional powers. A RAND publication by Norman D. Levin entitled *The Shape of Korea's Future: South Korean Attitudes Toward Unification and Long-Term Security Issues* summarizes a public opinion poll conducted in conjunction

⁹³ Pollack and Lee, *Preparing for Korean Unification: Scenarios & Implications*. Scobell, "Projecting Pyongyang: The Future of North Korea's Kim Jong Il Regime." Wolf and Akramov, *North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification*.

⁹⁴ Noland, *Avoiding the Apocalypse*.

⁹⁵ Robert Dujarric, ed., *Korea: Security Pivot in Northeast Asia* (Indianapolis: Hudson Institute, 1998). Jonathan D. Pollack and Young-Koo Cha, *A New Alliance for the Next Century: The Future of U.S.-*

with *Joong-ang Ilbo* newspaper of Korea. Questions included the level of enthusiasm for unification, willingness to pay for unification, and desired policies after unification. Other questions focused on the biggest future economic competitor, chief military rival after unification and the role of the U.S.-ROK alliance.

The U.S. Department of State's Opinion Analysis Office conducts periodic surveys in Northeast Asian countries and analyzes public opinion on a variety of issues, including many on Korea. Depending on the questions, surveys are either conducted face-to-face with a representative national sample (typically 1,500 adults) or a nationwide random digit dialing telephone survey among panelists of about 100 university-educated South Koreans who follow international and political news.⁹⁶ These surveys allow the examination of trends, as some questions are asked repeatedly over time. Topics include the South Korean public's view of President Lee Myong-bak's handling of North Korea, the summit meeting of Roh Moo-hyun and Kim Jung-il in 2007, and the election of Barack Obama to the U.S. presidency and its implications for the U.S.-ROK relations.⁹⁷ Many organizations conduct such research, including the newspaper *Joong-ang Ilbo*, the Korea Economic Institute (KEI), and MOU.

REPORTS

Many research institutions produce reports. The CSIS Working Group Report on *A Blueprint for U.S. Policy toward a Unified Korea* provides scenarios for unification by

Korean Security Cooperation (Santa Monica: RAND, 1995). Takashima Inoguchi, ed., *Japan's Asian Policy: Revival and Response* (Tokyo: Palgrave Macmillan, 2002).

⁹⁶ Dujarric.

⁹⁷ "Opinion Analysis: Inter-Korean Summit: Roh and Kim Playing to a Largely Skeptical South Korean Public," ed. Office of Research, U.S. State Department, 2007, "Opinion Analysis: ROK On-Line Panel Welcomes a "Changing" America," ed. Office of Research, U.S. State Department, 2008, "Opinion

peaceful integration, by default, and by war. It also examines Korea's relations with surrounding countries. *A Blueprint for U.S. Policy toward a Unified Korea* by Derek J. Mitchell examines a unified Korea and the relations it would seek with the U.S. given the other regional actors' interests. *The Impact of Democratization on Regionalism in Korea: A Complex Interplay* by Yong-Chool Ha and *The New Political Paradigm in South Korea: Social Change and the Elite Structure* by David Steinberg provide data on democratization and socio-structural changes in South Korea. The Asia-Pacific Center for Security Studies (APCSS) produced a *Special Assessment on Asia's Bilateral Relations*, with relevant essays on Russia-China, Russia-Japan, China-Japan, China-South Korea, Japan-South Korea, and South Korea-U.S bilateral relations. The International Crisis Group's *North East Asia's Undercurrents of Conflict* describes territorial and historical disputes pertaining to Korea, Japan, and China. It also produced "Shades of Red: China's Debate over North Korea," attributing China's priority for stabilization over denuclearization to its concerns over North Korea's implosion, mass movement of North Korean refugees into China, and the possibility that a unified Korea led by South Korea would create a U.S. military presence on the Chinese border.⁹⁸ The Institute of Korean Studies' international conference in Seoul in November 2008 produced a report on "Korea at the Crossroads: Challenges and Prospect," describing the political, security, economic and social challenges that South Korea faces and anticipating how South Korea will prepare for them. The conference papers included

Analysis: South Koreans React with Concern to DPRK," ed. Office of Research, U.S. State Department, 2009, 1.

⁹⁸ "Shades of Red: China's Debate over North Korea," in *Asia Report No. 179*, Seoul, International Crisis Group, November 2, 2009, 1.

Bruce Bechtol's study on understanding the North Korean threat.⁹⁹ Additional reports consulted for this study cover a variety of topics that include Korean unification, Korea's relations with its neighbors and the interests of the great powers.

PRESS ARTICLES

The advantage of newspaper articles is their timeliness. Archives provide older articles. South Korean newspaper sources include *Chosun Ilbo*, *Joong-ang Ilbo*, *Dong-a Ilbo*, *Korea Times*, *Korea Herald*, *Yonhap News*, *Hankyoreh*, and *OhMyNews*. These Korean newspapers cover the political spectrum from conservative to progressive. Korea Central News Agency (KCNA), North Korea's sole news agency, reflects the official North Korean government view. United States newspapers such as *The New York Times*, *The Washington Post* and *The Christian Science Monitor* are also monitored regularly. Additional news sources consulted for broader perspectives include *Asahi*, *Mainichi*, *Sina*, *Pravda*, and BBC.

OTHERS

Additional sources consulted for the background and data used in this study include dissertations and theses, statistics from databases, graphics, maps, and imagery. Dissertations on unification are available in both English and Korean. *A Study on Issues and Structure of Political Conflicts around Security Issues* by Hyun-bae Moon is a thesis written in Korean on South Korea's internal debate on security. Yong Shik Choo's dissertation *Rethinking Ethnic Homogeneity: A Dilemma of Reconciliation and Unification in Korea*, also written in Korean, refutes the idea that ethnic homogeneity

⁹⁹ Bechtol, "Understanding the North Korea Threat to the Security of the Korean Peninsula and East Asia:

helps reconciliation and unification, and highlights the difficulties of social integration between South and North Koreans. For figures, such as Gross Domestic Product, the United Nations and the *CIA World Factbook* are reliable sources. North Korea rarely publishes or disseminates its economic statistics, but the Bank of Korea and the Ministry of Unification are alternate sources of statistics on both the North Korean and South Korean economies. Newspaper and other graphics databases provide relevant photos and charts. The University of Texas provides useful maps.

This section gives only a partial overview of the sources used for this study. See the bibliography for a full list of sources.

B. Data Interpretation

The methods to interpret the data relevant to this study include historical analysis, hermeneutic analysis and content analysis. Historical analysis is used to understand the regional context in which historical issues involving Korea, China, Japan, Russia, and the U.S. are most important. The historical analysis helps explain relations among these regional powers. Hermeneutics focuses on interpreting texts for meaning. This method requires the reader to understand the social, cultural and political context of a text. Hermeneutics is especially helpful in comparing documents like South Korea's annual Unification White Papers; it allows one to discover what has been emphasized, deemphasized or changed over time. By understanding the circumstances and events that informed the thoughts of the time, and interpreting the text within that context, hermeneutics can reveal additional or hidden meanings. To discover the source of such

changes, other sources are examined to see if they identify events or other factors that may have driven or influenced the policy changes or the changes in emphasis. This study uses content analysis to systematically review large quantity of data and detect patterns and important structures in the communication content.

C. Limitations

While there is an extensive literature on unification and the collapse scenarios, certain information is simply not available. For instance, information about and from North Korea, while more widely available now than in the past, is still limited because the North Korean government carefully controls information flow. North Korean economic data do not come from the North Korean government, but are estimates produced by external organizations like South Korea's Bank of Korea.

As for interviews, the interviewees may have strong beliefs about matters like the unification policy, North Korea or other countries involved in the Korean Peninsula. Their bias may affect what information they provide and how they deliver that information. Additionally, interview subjects may change their views over time, or in reaction to subsequent events. Such changes of opinion are not captured at the time of the interview. Most of the interviews conducted by the author for this study occurred during the Rho Moo-hyun administration era. Accordingly, the views expressed by interview subjects reflect their mood and perceptions of policy during the Rho administration, rather than the current administration of Lee Myung-bak. However, the author did conduct some later interviews, and continued some discussions with interview subjects after the initial interviews were completed.

D. Interview Findings

The interviews in Korea occurred in July and August 2006, during the Rho Moo-hyun administration. These interviews reflect the views of the interview subjects during Rho's Peace and Prosperity Policy, a continuation of the Sunshine Policy of active engagement with North Korea.

SCENARIOS

The Ministry of Unification officials in the Rho Moo-hyun administration interviewed by this author took a long term approach to unification in accordance with the government policy that gradual unification should begin with increased exchanges and cooperation and proceed to confederation and eventual unification. Many South Koreans believed that North Korea will not collapse because it has already defied predictions of its demise. They also emphasized that North Koreans are hardier and able to withstand hardship longer, and expressed concern with the high cost of unification, saying that South Koreans do not want to deal with such costs. The MOU website has a comments section; any South Korean citizen can access it and provide inputs. This effort is one of President Rho's "People's Government" pledges, and the public concerns are taken into consideration in policy making via this type of input system.

The older generation of Koreans and Americans expressed a different view about the timing of unification in comparison to the younger people. The older generation had a preference for a shorter timeline. For example, one elderly Korean man predicted that North Korea will collapse in five years. Many in the U.S. Forces Korea (USFK) stated in interviews with the author that a desperate North Korea, whether on the verge of collapse

or during a power struggle due to leadership transition, could start a war with South Korea. For USFK, war, whether most likely or not, is what it prepares for, as its mission is to defend South Korea against North Korean aggression. The interviews suggest that the collapse and absorption scenario, with or without war, is still very much alive.

INTER-KOREA RELATIONS

The Ministry of Unification (MOU) personnel interviewed, for the most part, followed the official line of reconciliation between North Korea and South Korea as the way to eventual unification. They wanted to build the basis for this long term vision and develop trust through increased exchanges, starting with the easiest arenas, like sports and cultural exchanges, and proceeding to economic exchanges and cooperation, and sometime much later, to exchanges in the military realm. They pointed out the successes of inter-Korean projects, especially the GIC and tourism in Mount Geumgang. Support for this policy was also expressed by interview subjects in academia and think tanks. Many believed that the GIC was crucial to reconciliation and to helping North Korea to experiment with reform. Some pointed out that the idea of capitalism would spread by exposing North Koreans to GIC. In addition, the project offers individual-level contacts between North Korean workers and South Korean managers who travel to Gaesong on a regular basis. Such contact allows North Koreans a small glimpse of South Korea and the world. While this secondary emphasis is not part of the official line, it does help get support from those who are more critical of the Sunshine Policy or of engagement in general. Some officials thought that this approach will work, while other interviewees maintained that this process will take too long to make a major difference.

Critics of the Sunshine Policy include both South Koreans within Korea as well as foreigners living in or knowledgeable about Korea. The critics believed that South Korea is giving away too much to North Korea without reciprocity and transparency. They accused the North Koreans of redirecting South Korean aid away from the needy and towards the North's missiles and nuclear weapons program. The critics of the Sunshine Policy perceived South Korea under the Kim and Rho administrations as too appeasing to North Korea and attribute this approach to the government's fear of upsetting or destabilizing the North Korean regime.

KOREA'S BILATERAL RELATIONS

The U.S.-ROK alliance transformation is a dominant topic of security in Korea, and particularly the transfer of wartime operational control (OPCON) from the U.S. to ROK. Currently, OPCON under a U.S. general is not automatic, as many Koreans believe; the ROK president has to ask the U.S. to assume operational control.¹⁰⁰ South Koreans supposedly know that the OPCON is not automatic. However, some South Korean military officers were not aware of this detail. While the ROK officers worked toward the OPCON transfer goals, they were uneasy about the timing, wondering if they could be ready by the stated OPCON transfer date of April 2012. They also questioned how they would be able to continue having access to the combined capability that had been developed over time through shared organization, resources, and combined military practices.¹⁰¹

¹⁰⁰ Interview with Mike Keefe, Policy Analyst, Strategy and Policy, U.S.-Republic of Korea Combined Forces Command, Seoul, July 26, 2006.

¹⁰¹ Informal discussions with Republic of Korea (ROK) military officers, U.S.-ROK Combined Forces Command, July 2007-July 2008.

A U.S. Defense Department official stated that Korea is “pushing on an open door” regarding the issue of operational control transfer, and described how the South Korean defense minister during Rho Moo-hyun’s administration reacted when the U.S. not only agreed to the transfer but also accelerated the time table.¹⁰² Korea’s conservatives are extremely concerned about the impact this would have on the close U.S.-ROK relations as well as the security of South Korea. However, some progressive Koreans in the government during the Rho administration who are not military or defense-related believed that the U.S. “needs” Korea; therefore, the U.S. will not leave Korea no matter what Korea does. A closer look at the U.S. Global Posture Review and the thoughts and actions of the former U.S. Defense Secretary Rumsfeld and other Pentagon officials show otherwise. The Global Posture Review envisions replacing permanent basing, as is currently practiced in South Korea, with expeditionary forces capable of deploying where they are needed. Rumsfeld withdrew troops from the DMZ and redeployed them to Iraq, and it is questionable whether South Korea was consulted on this important matter.

Both Rho Moo-hyun and Bush administrations agreed on the same goal, but for different reasons—Rho Moo-hyun for sovereignty and Bush for its new global strategy of home based forces that can be deployed when and where needed in order to gain the flexibility to redeploy forces to other regions. The disconnect on the views between the two governments was palpable in the interviews conducted during the Rho Moo-hyun administration. A note of caveat: interviewees from the South Korean government also expressed differences of opinion. Representatives of the different ministries showed

¹⁰² Interview with a Korea Desk Officer at Department of Defense, Washington, DC, September 21, 2006.

different leanings depending on their missions and how close they were to the Blue House, the president. Interview subjects from the Korean Ministry of Defense, who had worked side-by-side with the U.S. on security issues for decades, tended to have a more pro-U.S. and pro-alliance view than those who worked in the Ministry of Unification. The author's interviews revealed another gap as well, between top level political appointees heading the ministries and the bureaucrats. The appointees took a position much closer to or identical with Rho Moo-hyun's compared with the views expressed by their working level officials. Under the new president Lee Myung-bak, South Korea's policy has swung to a more pro-U.S. stance. Because most of the author's interviews with government officials were conducted during the previous administration, the current views of South Korean government officials are not captured as well. This limitation will be addressed with other research efforts. The interviews described in this chapter focused primarily on U.S.-ROK relations; descriptions of South Korea's relations with other countries are derived from other sources.

CHAPTER 4: THINKING ABOUT COLLAPSE: INDICATORS AND TRIGGERS

The complete collapse of a nuclear-armed hermit kingdom would be an unprecedented event in world history, more comprehensive than the effect of the earthquake on Haiti and much more dangerous than the end of the Soviet Union. Forecasting a collapse is therefore perilous, yet past experiences give some guide to what to look for. This chapter explores and summarizes what we expect the major triggers of a collapse might be, and the major indicators that one is imminent or underway.

Various indicators provide clues to a possible collapse in North Korea. These indicators, along with a triggering event such as succession, should be monitored closely to assess whether and when North Korea might collapse so that preparations can be made by the international community to meet this contingency with appropriate responses. The surprising longevity of the North Korean regime should not lead to complacency. As discussed briefly in prior chapters, and at greater length later in this study, it is in the interest of the regional powers to insure that the many challenges likely to arise from the collapse of North Korea are handled appropriately, to minimize suffering and hasten stabilization of the region.

North Korea's system, some argue, has already failed. Scobell defines a failed regime as "one that is extremely disorganized and in many respects has ceased to function even though significant institutions still exist."¹⁰³ He conceptualizes collapse as a process, not an outcome, arguing that the process of regime collapse in North Korea has already begun.¹⁰⁴

¹⁰³ Scobell, "Projecting Pyongyang: The Future of North Korea's Kim Jong Il Regime," ix.

¹⁰⁴ Scobell, xiii.

Using analysis of historical and contemporary data, this chapter explores the indicators that North Korea may be on the verge of collapse or is already in the process of collapsing. The chapter also describes the most likely triggers for North Korea's collapse.

A. Indicators of Collapse

The most important indicators of collapse include North Korea's deteriorating economic conditions, the reliance on external assistance, the degree of information penetration, the role of elites, the number and the rate of change in defections, and the status of Kim Jong-il's health.

ECONOMIC SYSTEM AND THE PROVISION FOR BASIC NEEDS

North Korea has not adopted the reforms necessary to resolve the dire problems of its economy. Continued severe economic problems could eventually erode support for the North Korean regime.

In a socialist system, the state owns and administers the means of production and distribution of goods, including food. A government that cannot provide food to its own population, especially when food is available globally, has a significant weakness in its system. Its Public Distribution System (PDS), North Korea's central allocation system for food distribution, has failed to meet the population demand for food since the early 1990s. As a result, one million people, about five percent of North Korea's population, perished during the great famine of the mid-1990s.¹⁰⁵ Some organizations estimate the

¹⁰⁵ Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform* (New York: Columbia University Press, 2007), 1.

deaths from famine may be as high as 3.5 million, with an additional 300,000 people escaping from North Korea in search of food.¹⁰⁶

The North Korean government attributes the famine and chronic food shortages to floods and drought, and indirectly to the demise of preferential trade relations with Russia and China. Haggard and Noland assert that the official explanation blaming only external factors is misleading.¹⁰⁷ North Korea has long depended on outside assistance, first from the Soviet Union, and later from China as well as South Korea. North Korea experienced a fundamental economic shock when the Soviet Union cut aid and demanded hard currency, rather than barter, in exchange for its support. The North Korean government began to decrease food rations in 1987 when the Soviet Union cut food assistance.¹⁰⁸ Despite warning signs prior to the famine, the North Korean government was slow to enact measures to ensure an adequate food supply. Instead, in 1991, it emphasized reducing demand by exhorting North Koreans to eat less with the “let’s eat two meals a day” campaign.¹⁰⁹

North Korea did request and receive humanitarian food aid during the height of the famine, but instead of using the aid to increase the overall food supply, it offset the aid by reducing commercial food imports, using the savings from reduced food imports for other purposes.¹¹⁰ The other priorities included, for instance, the purchase of 40 MiG-

¹⁰⁶ "Alternative NGO Report on the Committee on Economic, Social and Cultural Rights of the Second Periodic Report of Democratic People’s Republic of Korea," Seoul, The Good Friends, November 2003, 4.

¹⁰⁷ Haggard and Noland, *Famine in North Korea: Markets, Aid, and Reform*, 9.

¹⁰⁸ "North Korea Hunger," in *AlertNet*, Thomson Reuters Foundation, October 7, 2008, http://www.alertnet.org/db/crisisprofiles/KP_FAM.htm?v=timeline.

¹⁰⁹ “North Korea Hunger.”

¹¹⁰ Haggard and Noland, *Famine in North Korea: Markets, Aid, and Reform*, 10.

21 fighters and eight military helicopters from Kazakhstan in 1991.¹¹¹ Furthermore, since the famine, and while it was receiving food, energy, and other aid, North Korea conducted two nuclear tests, in 2006 and 2009, and numerous missile tests. The North Korean focus on *Seon-goon* rather than food shows that the regime attempts to garner public support by emphasizing ideology rather than by providing basic needs.

Faced with food shortages, the North Korean population resorted to scrounging for food in the woods. Local markets to buy and sell food emerged spontaneously, a practice unheard of and unauthorized prior to the famine. Severe famine led to some marketization of the economy, which has provided some relief. However, official and unofficial reforms for dealing with food shortages compete with the state control that keeps the regime in power.

In July 2002, North Korea implemented economic reforms focused on market and foreign investment, a surprising measure given the rather far-reaching effort. Marketization, although illegal, had been occurring for years. The policy change in 2002 in effect decriminalized the market, allowing grains and certain goods to be traded. The reforms included dramatic increases in prices and wages, endorsement of private enterprises, drastic currency devaluation, and changes in foreign investment laws. The price increases reflected emerging market prices that were much higher than the official ones, and wages rose to offset the price increases. These increases, however, were not accompanied by the revival of industrial sector production. Furthermore, the government decided to monetize the subsidy costs to loss-generating state-owned industrial enterprises, creating a situation with an increased money supply and not enough products

¹¹¹ "Hunger and Human Rights: The Politics of Famine," Washington, DC, U.S. Committee for Human

to purchase. The results were severe inflation and growing social disparity. Inflation ensued, at an estimated annual rate of over 100 percent since August 2002.¹¹²

Because the market system tends to produce winners and losers, another unintended consequence of the economic reforms was an increase in social inequality. In October 2005, the government reversed its earlier decisions, banning the private sale of grain and reverting to the regime-controlled PDS. This policy reversion may have been an effort to mollify a population affected by high food prices, which were about eight times as high in 2004 as in mid-2002 when the reform began.¹¹³

Widespread food shortages continue to this day. While food shortages are key concerns, the system also fails to address other needs of the population, such as medical care and energy. The state continues to try to centrally control the distribution of food and goods; however, the task has become too complex, with tragic consequences.

EXTERNAL ASSISTANCE

The regime's foremost interest is survival, which requires reform and an open economy. Because North Korea refuses to undertake serious reform, its alternative is to rely on assistance from outside. Foreign assistance plays a significant role in North Korean regime's survival.

In the early 2000s, about one-third of North Korea's revenue came from aid, about one-third from conventional sources, and the remainder from unconventional

Rights in North Korea, November 2, 2007, <http://www.hrnk.org/hunger/origins.html>.

¹¹² Haggard, Stephen, and Marcus Noland, p. 21.

¹¹³ Beck, Lindsay, "N. Korea Korea's market reform hard to see," *Reuters*, October 31, 2005, p. 3, http://today.reuters.com/news/newsArticle.aspx?type=lifeAndLeisureNews&storyID=2005-10-31T153442Z_01_RID155815_RTRUKOC_0_US-KOREA-NORTH-REFORMS.xml

sources, primarily illicit activities.¹¹⁴ As shown in Table 1, China and South Korea provided the majority of North Korea’s “imports,” 46 percent and 31 percent, respectively, in 2008.¹¹⁵ The definition of imports is unclear, as aid is also included in this figure. While it is difficult to obtain data, and the classification of aid versus imports is ambiguous, the transfers from China and South Korea to North Korea are clearly significant. Although it is believed that a significant portion of these transfers are diverted to the military and to elites, the aid has also helped the people to survive.

Table 1

North Korea’s Top Trade Partners (2008, estimated)

Rank	Export	Import
1	South Korea (45%)	China (46%)
2	China (35%)	South Korea (31%)
3	India (5%)	Thailand (6%)
4		Russia (4%)

Source: CIA World Factbook (updated September 2009), <https://www.cia.gov/library/publications/the-world-factbook.html>

The threat of instability in North Korea is enough to extract assistance from China. China provides almost half of North Korea’s imports and is likely to continue its support.¹¹⁶ While it is difficult to assess the magnitude of Chinese support to North Korea, Haggard and Noland estimate \$7 billion, which includes aid, foreign direct investment (FDI), and border trade.¹¹⁷ China supplies a substantial portion of North Korea’s food and energy, and apparently provides most of its oil requirements. During Chinese Premier Wen Jiabao’s visit to Pyongyang in October 2009, substantial aid was

¹¹⁴ Marcus Noland, "North Korea in Transition," *The Korean Journal of Defense Analysis* XVII, no. 1 (Spring 2005): 11.

¹¹⁵ "CIA World Factbook," Central Intelligence Agency, 2009.

¹¹⁶ "CIA World Factbook."

promised. A Chinese Foreign Ministry official stated that China provides assistance to North Korea within China's capacity to improve North Korean people's lives and assist their economic development, hinting that enough assistance would be given to impact people's lives and development.¹¹⁸

South Korean aid has also been crucial for North Korea. The Sunshine Policy of peaceful cooperation and reconciliation, begun in 1998 under President Kim Dae-jung, was continued by his successor Rho Moo-hyun. South Korea's ten-year unconditional assistance was important for the survival of the North Korean regime. From 1998 to 2003, during the Kim Dae-jung administration, annual government and private aid from South to North Korea averaged \$92.56 million. This was about one-third of South Korea's \$266 million official development assistance for loans and grants to developing countries.¹¹⁹ From 2003 to 2008, during Rho Moo-hyun's tenure, government and private humanitarian aid from South to North Korea doubled, to \$1.835 billion.¹²⁰ For cash-strapped North Korea, the South Korean aid was a large sum.

Despite these gestures, the support and inter-Korea exchanges slowed dramatically. South Korean aid to North Korea and investment in inter-Korean projects dropped to its lowest level since the North-South Summit and the start of the South's generous aid package in 2000. During the first 11 months of 2009, the South Korean government dispensed \$54 million (68.3 billion won), 6.1 percent of the nearly \$885

¹¹⁷ Stephan Haggard and Marcus Noland, "North Korea's External Economic Relations," in *Working Paper Series*, Washington, DC, Peterson Institute for International Economics, 2007, p. 11.

¹¹⁸ "China Hints at Substantial Economic Aid to N.Korea," *Chosun Ilbo*, September 30, 2009. http://english.chosun.com/site/data/html_dir/2009/09/30/2009093000295.html

¹¹⁹ Republic of Korea Ministry of Unification, "Promoting Peace and Cooperation: Five Years of the Kim Dae-jung Administration," 154.

million (1.12 trillion won) allocated, toward aid and investment in North Korea.¹²¹ In 2008, the respective figure was \$215 million (231.2 billion won), which represents 18.1 percent of the allocated \$1.18 billion (1.275 trillion won).¹²² The steep cuts occurred after North Korea's nuclear test. The South Korean government suspended transfers of rice, fertilizer and other aid, and the private sector followed suit by reducing indirect aid.¹²³ The assistance gap may cause further deterioration of North Korea's situation, or may be filled by the Chinese aid.

INFORMATION CONTROL

North Korea watched the collapse of the former Soviet Union and East and Central European countries with horror.¹²⁴ These centralized economies collapsed partly because they could not provide for the needs of their citizens.

The Pyongyang regime needs domestic legitimacy to stay in power, which requires persuading the populace that it is looking out for their interests and providing for them. It needs to appear strong. The regime reinforces that image by its *Seon-goon* policy, and by displaying and occasionally demonstrating its military prowess through nuclear and missile testing. The regime's legitimacy is based on myths of its leader's stature and lies that the system provides for the people well. The North Korean regime

¹²⁰ Sabine Burghart and Rudiger Frank, "Inter-Korean Cooperation 2000-2008: Commercial and Non-Commercial Transactions and Human Exchanges," in *Vienna Working Papers on East Asian Economy and Society*, ed. Rudiger Frank, Vienna, University of Vienna, Vol. 1, No. 1, 2008, 18.

¹²¹ "Inter-Korean Investment Lowest Since 2000," in *NK Brief*, Seoul, The Institute for Far Eastern Studies, December 9, 2009, <http://ifes.kyungnam.ac.kr/eng/m05/s10/content.asp?nkbriefNO=328&GoP=1>. The 2009 average exchange rate of 1 South Korean Won to .00079 U.S. dollar is used, from OANDA, <http://www.oanda.com/currency/historical-rates>.

¹²² "Inter-Korean Investment Lowest Since 2000."

¹²³ "Inter-Korean Investment Lowest Since 2000."

¹²⁴ Kim, *On the Fundamentals of Revolutionary Party Building: A Treatise written on the Occasion of the 47th Anniversary of the Foundation of the Workers' Party of Korea, October 10, 1992*, 2.

also portrays South Korea as a poor country, far worse off than North Korea, with a government that is a puppet of the United States. To get people to believe these fabrications, the Kim regime must prevent access to competing information. This explains North Korea's paranoia and strict control of information.

The North Korean government has strict, harsh information and movement control measures. It controls the media and institutions, and relies on a system of watchers. In observing the failure of the communist bloc, the government was amazed by how quickly the people rejected the systems that they had outwardly embraced. The problem faced by the North Korean government is that the greater openness and reform necessary to correct the country's systemic failures also could shake the regime's foundation.

Despite strict information control, there are indications that outside information is increasingly reaching North Korea. Since the mid-1990s, North Koreans who crossed the border into China initially in search of food and later as unskilled workers help channel information back into North Korea. Some 500,000 North Korean border crossers have become aware of the wealth of China and South Korea, and some return to North Korea, carrying this information with them.¹²⁵

Cross-border traffic also brings in products that convey information. For example, tunable radios, illegal in North Korea, are smuggled in at an increasing rate.¹²⁶ External radio stations such as Free North Korea Radio and Radio Free Asia broadcast

¹²⁵ Andrei Lankov, "Changes in View of Outside World by North Koreans," *Yonhap News*, November 5, 2009, <http://english.yonhapnews.co.kr/northkorea/2009/10/29/66/0401000000AEN20091029008200325F.HTML>

¹²⁶ Lankov.

outside news to North Korea.¹²⁷ Despite the risk of getting caught, North Koreans reportedly watch illegal videos and DVDs of South Korean TV dramas and shows. Defectors report that *Hallyu* (Korean Wave), the term for the South Korean soap operas, music and movies that have become increasingly popular in East Asian countries, is sweeping into North Korea as well.¹²⁸ Anyone seeing these South Korean cultural artifacts would find it difficult not to notice the prosperity that the South Koreans routinely enjoy—plentiful food, ubiquitous mobile phones, and nice cars. This show of wealth contradicts the official line that South Koreans live in poverty. Although the extent of information penetration is unclear, this “demonstration effect” could affect the North Korean general population. As more North Koreans become aware of an alternate system, especially across the border to the south, they may demand change eventually.

The special economic zones of the GIC and the Geumgang Mountain tourist area are additional source of information about the outside world for North Koreans. These sites bring South Koreans into North Korea and provide rare opportunities for unauthorized interactions. The business complex project allows individual contacts between North Korean workers and South Korean managers. Over 30,000 North Koreans were employed at the complex as of 2008.¹²⁹ North Korean officials wanted to rotate these workers annually, fearing that the North Korean workers would be exposed to too much outside information. However, annual rotation of workers also allows a

¹²⁷ Susan Chun, "Radio gives hope to North and South Koreans," in *CNN*, February 27, 2008, <http://edition.cnn.com/2008/WORLD/asiapcf/02/27/cho.dissidentradio/>. *Mission Statement* (Radio Free Asia, 1998-2009 December 17, 2009)]; available from <http://www.rfa.org/english/about/mission.html>.

¹²⁸ Chang-Kyun Lee, Jinhee Bonny, and Young Yoon Choi, "North Korea Cracks Down on Korean Wave of Illicit TV," Washington, DC, Radio Free Asia, July 17, 2007, http://www.rfa.org/english/news/in_depth/korea_wave-20070717.html.

¹²⁹ Burghart and Frank, "Inter-Korean Cooperation 2000-2008: Commercial and Non-Commercial Transactions and Human Exchanges," 14.

greater number of North Koreans to come in contact with South Korean managers and some of the business practices of South Korea. The annual rotation is infeasible in practice due to the learning curve required for business operations, but this policy highlights the regime's fear of information. In addition, some 100,000 tourists have visited the GIC. Their ability to interact with the local population is limited, but their presence and behaviors undoubtedly make an impression on North Koreans, belying the government claim that South Korea is poor and backward.

Nearly 1.95 million South Korean tourists visited Mount Geumgang between late 1998 and 2008.¹³⁰ While there are fewer North Koreans working in the Geumgang tourism zone, and they have limited freedom to speak and act, they do see a continuous stream of middle class and wealthy South Koreans. Pyongyang takes extreme measures to shield its people from the influence of South Korean managers and tourists, but even limited contacts allow North Koreans a glimpse of South Korea and the larger world.

North Korea's Class System

North Korea's current structure is not so much a Marxist-socialist system as a system consisting of three classes. According to expert on North Korea Kongdan Oh, the three categories are the "core" who are loyal to Kim (about 20 percent); the "ordinary" who give the regime no specific reason to mistrust them (about 40 percent); and the

¹³⁰ The tourism was halted in July 2008 when a South Korean tourist was shot and killed by a North Korean soldier. For figures on tourists and other visitors, see InSung Kim and Karin Lee, "Mt. Kumgang and Inter-Korean Relations," Washington, DC, National Committee on North Korea, November 10, 2009, 2.

"hostile," who have "suspicious" personal or family histories.¹³¹ These distinctions are based on heredity and loyalty.

The core receives the best housing, food, jobs, and medical care. Most live in Pyongyang. Of the core, about two million are estimated to be the top cadre. The ordinary citizens live on luck, effort and bribery. They may get extra food or gifts on special days, such as Kim Jong-il's birthday. The regime is aware that this class of ordinary citizens should not become discontent to the point of opposing the regime, as it comprises the majority of the public. Members of the hostile group fend for themselves in the countryside. Thomas Hobbes' portrayal of life as "poor, nasty, brutish, and short" describes this class rather accurately.

The ordinary class, armed with information, could pose a potent challenge to the current regime if they become able to organize and demand changes. The regime will need to continue to co-opt the core class for support. The core group is probably better informed about the outside world than the ordinary class; at the same time, the core benefits most from the current system. If the benefits stop, then this class could also present a challenge to the current regime.

KIM JONG-IL'S HEALTH

Normally, one man's health is not the linchpin of stability for an entire country or region. In the case of North Korea, however, Kim Jong-il's health is a central concern and could be an indicator of a possible collapse. His mythical stature and grip on power

¹³¹ Kongdan Oh, "North Korea: The Nadir of Freedom," in *Living Without Freedom: A History Institute for Teachers*, Philadelphia, Foreign Policy Research Institute, 2007.

are such that the continuity of power and system is questionable and the outcome of a succession scenario is unpredictable.

Speculations about Kim Jong-il's ill health emerged in August 2008. He was conspicuously absent from the September 2008 military parade staged for North Korea's 60th anniversary (he had appeared in the ten previous anniversary parades).¹³² North Korea released photos of Kim Jong-il's public appearances in early November. Experts suggest that the images were altered, noting, for instance, that the shadow of Kim Jong-il's leg was not aligned with the shadows of the soldiers on either side of him.¹³³ The suspect photos, rather than dampening speculation, raised greater concerns about Kim Jong-il's health. Since then, more photos of Kim Jong-il have appeared, but gone is the man of embonpoint; rather, these photos show a thinner Dear Leader.

What might happen when Kim Jong-il succumbs to ill health or old age? Can his son succeed him in a smooth transition? Will there be a power struggle or a coup? Will the new leader, whoever it may be, be able to exert full authority over the state apparatus and if so, what policies will he pursue? Answers to these questions may be linked to the potential contingency in North Korea. Monitoring Kim Jong-il's status can provide warning and timing of a potential collapse.

¹³² Mark Mazzetti and Sang-hun Choe, "North Korea's Leader Is Seriously Ill, U.S. Intelligence Officials Say," *The New York Times*, September 9, 2008.

¹³³ 'Fake photo' revives Kim rumours (November 15 2008 [cited September 23, 2009]; available from <http://news.bbc.co.uk/2/hi/asia-pacific/7715458.stm>.

ELITES

Intra-elite schisms contributed to the regime collapses in Romania in 1989 and the Soviet Union in 1991.¹³⁴ These elites are those within the core social class described above.¹³⁵ In North Korea, the core is loyal to Kim Jong-il in return for privileges. The elites are those within the core with even more status and perquisites with greater authority and control. Using information about elites in North Korea as an indicator of North Korea's chances of collapsing would require more research on the nature of the elite system in the country. For example, it would be important to identify the elites and determine what proportion are military, party bureaucrats, and economic specialists. One way to identify members of the elites might be to examine those allowed to leave the country officially, as these people must have obtained a certain level of trust and privilege. Members of the elites who defect might indicate disaffection in that small circle. The number of defectors (discussed in greater detail in the following section) has increased significantly; however, most are low-level officials or ordinary people.

Where do these groups of elites stand on policy matters? Which group is likely to prevail? Their positions on succession could provide a glimpse whether there might be a power struggle, which could then lead to a collapse, including perhaps civil war. In case of collapse, focusing on this indicator could help identify those who might cooperate on matters such as nuclear weapons control and economic reform.

¹³⁴ Scobell, "Projecting Pyongyang: The Future of North Korea's Kim Jong Il Regime," 30.

¹³⁵ Oh, "North Korea: The Nadir of Freedom."

DEFECTORS

Another sign of state failure is the dramatic increase in the number of defectors from North Korea. In the early 1990s, defectors numbered less than ten per year. As Table 2 shows, the numbers started to climb into the hundreds starting in 1999, and since 2002, the numbers have jumped to several thousand per year.¹³⁶ Nearly 17,000 North Korean defectors had been resettled in South Korea by August 2009.¹³⁷

Table 2

North Korean Defectors to South Korea

Year	prior to 1990	1990	1991	1992	1993	1994	1995	1996	1997	1998
Number	607	9	9	8	8	52	41	56	85	72

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number	148	312	583	1,139	1,281	1,894	1,387	*2,018	*2,544	*2,809

Source: ROK Ministry of Unification, *Tongil Baekseo 2005 (Unification White Paper 2005)*;
*Yonhap News Agency

Defectors to South Korea risk their lives crossing the border from North Korea into China, face the perils of forced deportation back to North Korea or human trafficking in China, and then, with assistance and luck, make a dangerous journey to a third country before reaching South Korea. Many more remain in China. Nongovernmental organizations estimate that 100,000 to 300,000 North Korean refugees live in China.¹³⁸ Despite the hardship and danger, North Koreans are leaving their homes at an increasing

¹³⁶ "Tongil Baekseo 2005 (Unification White Paper 2005)," 171. "Over 2,800 N. Korean defectors come to South in 2008," *Yonhap News Agency*, September 27, 2009, <http://english.yonhapnews.co.kr/northkorea/2009/09/27/94/0401000000AEN20090927003800320F.HTML>

¹³⁷ "Over 2,800 N. Korean defectors come to South in 2008."

¹³⁸ Sung-ho Ko, Ki-seon Chung, and Yoo-seok Oh, "North Korean Defectors: Their Life and Well-being after Defection," *Asian Perspective* 28, no. 2 (2004): 68.

rate. This trend could indicate that growing numbers of North Koreans want a different system than the one provided by the current North Korean regime.

C. Triggers

While indicators are measures of trends that may reveal the stability or instability of the North Korean regime, the concept of triggers refers to specific events that might precipitate a crisis and lead to one of the collapse scenarios. Three commonly-cited trigger events are succession, famine and the mass migration that would likely follow, and mass opposition to government policies or social conditions in the North.

SUCCESSION

A failed leadership succession could lead to the loss of control, which could then lead to a collapse. In June 2008, the South Korean National Intelligence Service reported to the National Assembly that Kim Jong-il has designated his third son, Kim Jong-un, as his heir.¹³⁹ According to *Mainichi Daily News*, official North Korean documents confirm that Kim Jong-un is the designated successor. New North Korean textbooks, such as *Educational Resources on the Greatness of our Revered General Kim Jong-un*, apparently educate the Ministry of People's Armed Forces and the national police on how to admire Kim Jong-un, while other documents urge prompt preparation of leadership succession.¹⁴⁰ Some analysts believe that Jang Song-taek, Kim Jong-il's brother-in-law,

¹³⁹ Blaine Harden, "North Korea's Kim Jong Il Chooses Youngest Son as Heir," *The Washington Post*, June 3, 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/06/01/AR2009060103750.html>.

¹⁴⁰ "Official documents confirm Kim Jong Un as next ruler of North Korea," *The Mainichi Daily News*, September 8, 2009, <http://74.125.47.32/search?q=cache:VSCQGQFW6ssJ:mdn.mainichi.jp/mdnnews/international/archive/ne>

will play a powerful behind-the-scenes role, while others believe some military generals will be waiting to assert their power.¹⁴¹ Still others presume that collective leadership, consisting of officials from the party, the military, and the National Defense Commission, will emerge to fill the power vacuum until a new leader arises.¹⁴²

It is uncertain whether dynastic succession can continue in North Korea. There may be power struggles. No matter what regime emerges, however, it will be vulnerable to internal pressure if it fails to reform North Korea's systemic weaknesses.

FAMINE AND MASS MIGRATION

Another trigger to consider is famine and a repeat of North Koreans crossing the border into China for food, but on a much larger scale. After the famine in the mid-1990s, people facing starvation may decide to leave North Korea sooner, especially knowing the failures of the PDS system. The 1990s famine killed about one million North Koreans. With food shortages and the broken Public Distribution System, people relied on markets that sprang up spontaneously, where they could find food at a market price. What amplified the importance of this coping mechanism is that the alternative—demanding that the government provide for the people—was probably unthinkable as the consequences of such a protest would be too severe. Any criticism of the Dear Leader or the system is met with harsh punishment, including execution. If the market is not robust enough to supply adequate food, there could be mass migration. This time, the people may leave early enough to avoid devastating food shortages. Food shortage,

ws/2009/09/08/20090908p2g00m0in028000c.html+kim+jung+un+mainichi+shimbun&cd=5&hl=en&ct=clnk&gl=us&client=firefox-a.

¹⁴¹ Donald Kirk, "Kim Jong Un: North Korea's next leader?," *The Christian Science Monitor*, June 2, 2009, <http://www.csmonitor.com/2009/0602/p06s04-woap.html>.

famine, and mass migration could trigger a crisis by taxing the regime's authority to control the population.

MASS OPPOSITION

Opposition, demonstrations, or criticisms of Kim Jong-il or the North Korean system are rare. However, there are reports of such activities. On December 1, 2009, North Korea suddenly announced that it was replacing its old currency with new notes at a 100:1 ratio, to be implemented within five days, with a limit of 100,000 won (about \$35 to \$40, enough to feed a family for two months).¹⁴³ Amounts over that had to be deposited at a bank with a maximum deposit up to 300,000 won allowed. Any savings over that amount, in effect, would be confiscated by the state.

This currency reform angered many North Koreans. Many market traders are women in their 40s and 50s, and it is reported that they openly expressed their anger at the currency move by protesting against the leadership, defying threats of arrest.¹⁴⁴ It is reported that rioters gained the sympathy of ordinary citizens and assumed a scale such that the authorities summarily executed 12 "masterminds" and ordered a heightened alert for mass defections. The government also reportedly took measures to placate the public, including increasing the amount that could be exchanged to 500,000 won.¹⁴⁵ While reported riots are rare, at some point, organized opposition could trigger a greater movement, weakening the regime.

¹⁴² Bong-geun Jun, "Scenarios of North Korea's Power Shift: After Kim Jong-il's 'Reported Illness'," in *Policy Brief No. 2008-7*, Seoul, Institute of Foreign Affairs and National Security, November 2008, 11.

¹⁴³ Sung Hwee Moon, *Public Currency Announcement Broadcast* (December 1, 2009 December 28, 2009)]; available from <http://www.dailynk.com/english/read.php?catId=nk01500&num=5722>.

¹⁴⁴ "'Women Power' Gathers Against N.Korean Currency Shock," *Chosun Ilbo*, December 8, 2009, http://english.chosun.com/site/data/html_dir/2009/12/08/2009120800307.html.

A trigger starts a process. Possible triggers for the collapse of North Korea include succession, famine and migration, and mass opposition. While this list is not exhaustive, these triggers, combined with the indicators of trends showing the vulnerability and decline of the North Korean system, could prompt one of the main contingency scenarios that would require response by the regional powers.

¹⁴⁵ "N.Korea Backtracks as Currency Reform Sparks Riots," *Chosun Ilbo*, December 15, 2009, http://english.chosun.com/site/data/html_dir/2009/12/15/2009121500361.html.

CHAPTER 5: THE ROLES OF THE REGIONAL POWERS

The Korean Peninsula's long history shapes the geopolitical realities in Northeast Asia. It is here that the interests of some of the world's major powers intersect. North Korean instability would impact all the regional powers, and especially South Korea, China, and the United States. Russia and Japan have limited direct engagement with North Korea and would stay in the background in a unification scenario, although Japan would likely play an important role in economic development. South Korea and China would be most directly impacted by a collapse, especially by mass emigration from North Korea. The control of North Korean nuclear weapons would pose a serious problem, especially for the United States, but also for China.

Figure 1

Map of Northeast Asia



Source: University of Texas Library Map Collection

While the need to plan for the collapse of North Korea is clear, China has been reluctant to do so, as this is politically sensitive for its relations with North Korea. South Korea, during the Sunshine Policy, also avoided planning for fear of angering North Korea and threatening the South-North rapprochement. The new administration of Lee Myong-bak is less reluctant and has reportedly discussed collapse contingency planning with the U.S.¹⁴⁶ The danger of not planning is that if North Korea does collapse, neighboring states would be unprepared for possibly cataclysmic challenges.

The South Korean government, military and civil society could heavily be involved in restoring order and economic development, paving the way for unification. Common language, ethnicity, culture, and shared history are important in this regard. A united Korea would reflect the South Korean system of democratic government and a market economy. In a collapse situation involving war, the combined forces of South Korea and the U.S. would repel the aggression. After the war ends, the combined forces would be present in North Korea as victors involved in stability operations. It is important to consult with China on the U.S. military presence in northern part of the peninsula. China would need to understand that the troops would be present to insure stability. If U.S. forces become involved in dealing with uncontrolled nuclear weapons, China should see the benefit, as China also would be concerned with nuclear weapons and materials crossing their border. It is important for both countries as well as South Korea to understand the roles of potential U.S. military activities in the north and come to an agreement on specific roles, with the idea that the activities focus on securing nuclear weapons and bringing stability. South Korea, China, and the U.S. have asymmetric roles

¹⁴⁶ Sung-ki Jung, "S. Korea, US Chart Contingency Plans on N. Korea," *Korea Times*, April 22, 2009,

and capabilities. They need to seek common and convergent interests and coordinate their responses for a potential collapse.

After describing the geopolitical landscape and economic relations among the major powers in the region, this chapter examines the national interests and concerns of each major player, ongoing and unresolved bilateral issues, and areas for possible cooperation in the event of a North Korean collapse.

GEOPOLITICAL LANDSCAPE

Five major world powers—China, Japan, Russia, and the United States—play an important role in the Korean Peninsula. China is the world’s most populous country with the third largest economy and world's largest active duty military force. Japan, with the second largest economy, ranks seventh in defense expenditures and tenth in population size. Russia, although no longer a superpower, is ranked in the top ten in population size, economy, active duty military and defense spending. The third most populous country, the United States, is the sole superpower with the world’s largest economy and defense spending that far exceeds that of any other nation. These powers’ national interests at some times converge and at other times do not.

The two Koreas have their own interests, and each has become a significant regional actor. South Korea has the world’s fifteenth largest economy, eleventh largest defense budget and sixth largest active duty member military. Although its economy is in shambles, North Korea is believed to have nuclear weapons and the world’s fifth largest military in terms of number of troops.

Table 3**Population (2009 estimate)**

Rank	Country	(million)
1	China	1,338.6
2	India	1,166.1
3	US	307.2
4	Indonesia	240.3
5	Brazil	198.7
6	Pakistan	176.2
7	Bangladesh	156.1
8	Nigeria	156.1
9	Russia	140.0
10	Japan	127.1
26	South Korea	48.5
51	North Korea	22.7

Source: *CIA World Factbook***Table 4****Gross Domestic Product (GDP 2008)**

Rank	Country	(\$ billion)
1	US	14,260
2	Japan	4,924
3	China	4,402
4	Germany	3,668
5	France	2,866
6	UK	2,787
7	Italy	2,399
8	Russia	1,757
9	Spain	2,683
10	Brazil	1,665
15	South Korea	947
89	North Korea	26

Source: *CIA World Factbook***Table 5****Military (Active Duty) (2008)**

Rank	Country	(1,000)
1	China	2,255
2	US	1,385
3	India	1,325
4	Russia	1,245
5	North Korea	1,170
6	South Korea	687
7	Pakistan	650
8	Iran	545
9	Turkey	514
10	Egypt	450

Sources: *CIA World Factbook***Table 6****Military Expenditure (2008)**

Rank	Country	(\$ million)
1	US	607.0
2	China	[84.9]
3	France	65.7
4	UK	65.3
5	Russia	[58.6]
6	Germany	46.8
7	Japan	46.3
8	Italy	40.6
9	Saudi Arabia	38.2
10	India	30.0
11	South Korea	23.7
*	North Korea	6.5

Sources: *CIA World Factbook*; Stockholm International Peace Research Institute; Note: Constant 2005 \$; [] SIPRI estimate
* Estimate based on ¼ of North Korea's GDP

A complex set of national interests converge or clash on the Korean Peninsula, creating multifaceted international relations. The interconnections among these six countries take a variety of forms, including alliances, trade, investments, shared histories, and war. The regional powers' strategic considerations include security, territorial sovereignty, and enhancing their own power and influence in the region. The collapse of North Korea and subsequent Korean unification would alter the geostrategic landscape and affect these national interests.

If the North collapses, Korea will need support from regional powers for stabilization and reconstruction. The most desirable scenario for the post-unification Korean Peninsula includes a successfully developed and integrated non-nuclear Korea acting as a responsible regional and world stakeholder. Unified Korea would need to cooperate with the U.S, China, Japan, and Russia to enhance regional stability.

DEEPENING ECONOMIC RELATIONS

Northeast Asia accounts for a significant part of the world's trade and economy. Trade and investment among South Korea, China, and Japan have grown considerably. The trend will likely continue.

The three economies are each others' top trading partners. However, these close economic ties are relatively recent. Trade linkages, especially with China, were rather weak until the 1990s. Japan and South Korea initially became major exporting nations within the framework of multilateral trading system General Agreement on Tariffs and Trade (GATT), later the World Trade Organization (WTO). In contrast, China remained an underdeveloped, centrally-planned economy for most of the post World War II period.

Japan and South Korea pursued export-led growth strategies in the 1970s and 1980s and rapidly increased trade, primarily with the U.S.

Table 7

South Korea's Top Trading Partners (2008)

Rank	Export	Import
1	China (25.5%)	China (19.2%)
2	US (10.9%)	Japan (15.1%)
3	Japan (6.4%)	US (8.8%)
4	Hong Kong (5.0%)	Saudi Arabia (6.1%)

Source: *CIA World Factbook*

Table 8

China's Top Trading Partners (2008)

Rank	Export	Import
1	US (18.6%)	Japan (12.2%)
2	Hong Kong (12.7%)	South Korea (10.1%)
3	Japan (8.2%)	US (6.6%)
4	South Korea (5.1%)	Hong Kong (4.9%)

Source: *CIA World Factbook*

Table 9

Japan's Top Trading Partners (2008)

Rank	Export	Import
1	US (17.8%)	China (18.9%)
2	China (16%)	US (10.4%)
3	South Korea (7.6%)	Saudi Arabia (6.7%)
4	Hong Kong (5.1%)	Australia (6.2%)

Note: South Korea is Japan's 7th largest source of imports.

Source: *CIA World Factbook*

Ideological, political, security, and historical differences have prevented deeper integration of the Northeast Asian economies. The communist regime in China blocked most cooperation with capitalistic societies until its own reforms began in the mid-1980s. The tension between South and North Korea and Chinese support for Pyongyang also

limited contacts, as did historical animosity. The security threat and the ROK-U.S. and Japan-U.S. alliances reinforced South Korea and Japan developing closer economic ties with the U.S. rather than with each other or China. The U.S. has traditionally been the top trading partner with South Korea and Japan, respectively, and the U.S. still remains an important trading nation with them.

The Chinese economy started to grow rapidly with economic reforms based on the export-led growth model that was so successful in Japan and South Korea. China entered the World Trade Organization (WTO) in December 2001 with the support of the U.S. after 15 years of arduous negotiation.¹⁴⁷ China's membership in the WTO was crucial for its economic growth. The U.S. is the top destination for Chinese exports, but China has also significantly deepened economic relations with Japan and South Korea. China and Japan's non-governmental trade begun in the 1950s, but it was not until 1972, when they normalized diplomatic relations, that their economic and trade relations developed rapidly.

South Korea began indirect trade with China through Hong Kong and Singapore in 1983. With the establishment of diplomatic relations in 1992, direct bilateral trade developed rapidly. Their total trade volume increased from \$5 billion in 1992 to \$44 billion a decade later, almost a nine fold increase.¹⁴⁸ Trade totaled \$186 billion in

¹⁴⁷ Claustre Bajona and Tianshu Chu, "China's WTO Accession and Its Effect on State-Owned Enterprises," in *East-West Center Working Papers*, Hawaii, April 2004, 1.

¹⁴⁸ Chinese Ambassador to Finland Zhang Zhijian, *China's Economic and Commercial Relations With the Neighbouring Northeast Asian Countries* (People's Republic of China Embassy in Finland, May 14, 2004 [cited September 28 2009]); available from <http://www.fmprc.gov.cn/ce/cefi/eng/zfgx/dsjh/t106157.htm>.

2008.¹⁴⁹ South Korea became China's fourth largest export destination and second largest source of imports in 2008.¹⁵⁰

For North Korea, China is an important trading partner. Beijing's economic relations with Pyongyang date to 1950, with trades mainly of fuel, raw materials, and manufacturing goods. Given its economic difficulties, North Korea imported mainly energy and food from China. The total volume of Chinese-North Korean bilateral trade in 2002 was \$740 million, with China exporting \$470 million to North Korea and importing \$270 million.¹⁵¹ Despite North Korea's failed economy and its inability to pay hard currency, China has continued to provide economic assistance. In fact, China is likely to enhance its assistance to North Korea. It is believed that Chinese Premier Wen Jiabao promised increased economic assistance during his trip to Pyongyang in October 2008.

Inter-Korean economic relations are still relatively small, but they are important for two reasons. First, the mere fact of any inter-Korean relations at all is significant, given decades of hostile posturing by both sides. The two main economic projects—the GIC and Mount Geumgang tourism projects, both in North Korea—are deeply symbolic. For North Korea, they bring in significant income, mostly for the government. Second, these projects introduce capitalistic ideas of for-profit goods and services, and demonstrate the skills necessary for success. This might serve as a model should North Korea adopt sweeping economic reforms and take advantage of its low-cost labor for

¹⁴⁹ *US-China Trade Statistics and China's World Trade Statistics* (The U.S.-China Business Council, October 10, 2009); available from <http://www.uschina.org/statistics/tradetable.html>.

¹⁵⁰ "CIA World Factbook."

¹⁵¹ Zhang Zhijian, *China's Economic and Commercial Relations With the Neighbouring Northeast Asian Countries*.

national economic development. The projects also facilitate some level of contact between South Koreans and North Koreans.

Economic relations among the Northeast Asian economies will continue to strengthen. South Korea, Japan, and China will continue to grow as their economies integrate further and become more interdependent. Further economic cooperation is conducive to economic growth and enhanced integration.

Northeast Asia is an economically dynamic region with increasing interdependence among the member countries, which extends to the U.S. as a Pacific Power. While the peace and stability they enjoy bring prosperity to the region, numerous unresolved issues could hinder further cooperation or become a trigger for instability. The two Koreas, China, Japan, and Russia have enduring and at times contentious historical and territorial issues with one other. South Korea and the U.S. are undergoing an alliance transformation and deepening economic ties, which can also be controversial. North Korea's nuclear weapons and its inability or refusal to reform are key concerns for all the surrounding countries.

The remainder of this chapter examines the regional powers' national interests and concerns and identifies potential areas of cooperation to build regional stability pre- and post-unification.

A. Regional Powers' National Interests

This section examined the national interests of the regional powers. Some of these interests have deep historical roots, which are described as appropriate to enable a clearer understanding of the current situation as seen by each country.

UNITED STATES

Northeast Asia has been strategically and economically important to the U.S. As a global super power and a Pacific power, the U.S. has an interest in maintaining its influence in Northeast Asia. Its alliances with South Korea and Japan have provided a solid basis for fueling stability and economic growth in the region while extending its influence.

Table 10

U.S. Trade Balance, by Partner Country (2008)

Rank	Country	Export (\$ million)	Import (\$ million)	Total Trade (\$ million)
1	Canada	334,839.6	222,424.4	557,264.0
2	China	337,504.2	67,165.9	404,670.1
3	Mexico	216,328.4	131,507.4	347,835.8
4	Japan	139,112.9	61,435.2	200,548.1
5	Germany	95,827.9	50,150.5	145,978.4
6	UK	58,418.6	49,061.3	107,479.9
7	South Korea	46,687.4	33,074.3	79,761.7
8	France	43,371.8	26,748.0	70,119.8
9	Saudi Arabia	54,282.8	11,845.8	66,128.6
10	Venezuela	50,281.2	11,829.3	62,110.5
22	Russia	26,721.3	8,936.4	35,657.7

Source: U.S. International Trade Commission (2008 figures),
http://dataweb.usitc.gov/scripts/cy_m3_run.asp

The U.S. also has strong economic ties, especially trade, with not only its allies South Korea and Japan, but also with China. These three countries accounted for one third of the trade with the U.S. in 2008, with China as the second largest trading partner at \$405 billion, Japan as the fourth at \$201 billion, and South Korea as the seventh at \$80

billion (Table 10).¹⁵² China, Japan, Russia, and Korea were the top five holders of Foreign Exchange Reserves in U.S. dollars in 2006 (Table 11).¹⁵³

Table 11
Top 5 Holders of Foreign Exchange Reserves in U.S. Dollars (2006)

Reserves	
Country	US\$ (billion)
China	1,068.5
Japan	879.7
Russia	295.6
Taiwan	266.1
South Korea	238.9

Source: *China's Holdings of U.S. Securities: Implications for the U.S. Economy*, Congressional Research Service, January 9, 2008, CRS-3.

Since the U.S.-ROK alliance has focused on deterring North Korea, once North Korea no longer is considered a threat, especially if it disappears as a state, it will be difficult to justify the alliance in its present form. If the U.S.-ROK alliance goes away, the U.S.-Japan alliance, also partly focused on the North Korean threat, would be hard to justify. These alliances have been useful for all parties involved and provided an institutional basis for cooperation. It would be in the interest of the U.S. to maintain a transformed version of the alliance to maintain the cooperation habits and influence, as the U.S. and South Korea have shared interests. The alliance provided a solid and stable basis from which a key ally Korea, a country caught in a vicious circle of poverty and a dictatorship in the aftermath of the 1950-53 Korean War into one of the world's most

¹⁵² "Top Trading Partners - Surplus, Deficit, Total Trade," in *Foreign Trade Statistics*, U.S. Census Bureau, U.S. Department of Commerce, 2009.

¹⁵³ Wayne M. Morrison and Marc Labonte, *China's Holdings of U.S. Securities: Implications for the U.S. Economy*, CRS Report to Congress (Washington, DC: Congressional Research Service, 2008), CRS-3.

economically and technologically advanced countries and a vibrant democracy—a successful foreign policy feat.

The alliance is already undergoing transformation. As discussed in greater detail later in this chapter, the two countries agreed to transfer wartime operational control from the U.S. to a ROK army general by 2012.¹⁵⁴ The two sides already agreed on the 2002 Land Partnership Program (LPP) and the 2004 Yongsan Relocation Program (YRP) designed to reduce the American military footprint in Korea.¹⁵⁵

Alliance transformation is a natural outcome of Korea's success, the changed international security environment, and re-prioritized U.S. national security interests. As such, the transformation reflects more maturity, based on mutual respect and understanding. During President Lee Myung-bak's visit to the U.S. in June 2009, president Obama highlighted the enduring U.S.-ROK alliance relationship, and added moving beyond that to

a sustained strategic partnership with the Republic of Korea on the full range of global challenges that we're facing—from economic development to our support for democracy and human rights; from nonproliferation to counterterrorism and peacekeeping.¹⁵⁶

The challenge is for the U.S. and South Korea to develop a common strategic vision beyond the narrow focus on North Korea. Possibilities include transnational issues like international trade, energy security, and disaster management. Developing a new

¹⁵⁴ *Joint Communiqué: The 40th U.S.-ROK Consultative Meeting*, (United States-Republic of Korea, October 17, 2008), 4.

¹⁵⁵ *Memorandum of Agreement between the Government of the Republic of Korea and the Government of the United States of America Regarding the Agreed Recommendation for Implementation of the Agreement between the Republic of Korea and the United States of America on the Relocation of the United States Forces From the Seoul Metropolitan Area (Yongsan Relocation Plan)*, ed. U.S.-ROK Status of Forces Agreement Joint Committee Ad Hoc Subcommittee for the Yongsan Relocation Plan (Seoul: Governments of the United States and the Republic of Korea, October 26, 2004), 4.

¹⁵⁶ Barack Obama and Myung-bak Lee, "Remarks by President Obama and President Lee Myung-bak of the Republic of Korea in Joint Press Availability," The White House, June 16, 2009.

regional security mechanism that includes the regional actors is also a topic both allies can begin to discuss.

CHINA

China is an emerging great power, with a rapidly growing economy. With economic growth comes the financial capability to build military power and extend political influence around the globe. The mass celebration on October 1, 2009 of the 60th anniversary of communist rule displayed not only China's military might, but also its economic growth and technological advances. China has come a long way from a per capita GDP of \$33 when the People's Republic was established in 1949, to over \$2,600 in 2008, when China became the world's largest holder of dollar reserves and second largest exporter. China became the third country in the world after the U.S. and the former Soviet Union to succeed in a spacewalk, when it launched *Shenzhou* manned lunar spacecraft into orbit.¹⁵⁷ President Hu Jintao says, "The forecast for China's development is infinitely optimistic" during the ceremony, reflecting pride in the country's accomplishments and its positive outlook of its future.¹⁵⁸

This optimism could be threatened by instability on the Korean Peninsula. North Korea's development of nuclear weapons could ignite a military conflict or prompt a nuclear security dilemma, leading to a nuclear-armed Japan and South Korea, which then would directly affect China's security. The nuclear umbrella extended by the U.S. to its two allies and the prospect of denuclearizing North Korea keep the nuclear security dilemma in check. It is in China's interest to disarm North Korea's nuclear weapons

¹⁵⁷ "Chinese President's Speech Celebrating First Spacewalk Published," *Sina English*, November 8, 2008.

capability, which is also the goal of the Six-party Talks. China has become an active player as the chair of the Six-party Talks and has worked to resolve the nuclear issue. In a collapse situation, it would also be in China's interest to ensure that North Korea's nuclear weapons and materials are secure.

An even higher priority for China is the stability of North Korea itself.¹⁵⁹ A collapsed North Korea and the ensuing flood of refugees would affect China's economy and stability, especially in the northeastern provinces that border North Korea. China is also concerned that instability in North Korea may "irresistibly tempt" South Korea, an ally of the U.S., to reunify.¹⁶⁰

Wu Baiyi of the Chinese Academy of Social Sciences describes China's interest on the Korean Peninsula.

China has to compete with other major powers (i.e., the United States and Japan) over strategic superiority in any solution of the Korean issue... The renewal of the U.S.-Japanese alliance and the extension of its defense coverage deepened Chinese suspicions that the United States seeks regional hegemony and that the Japanese military might be revitalized. Korea is of practical importance to offset such possibilities. On the other hand, it is also in Beijing's vital interest to maintain a secure and friendly neighborhood in the sub-region.¹⁶¹

China does not want U.S. troops on its border during the unification process, and may send its troops to counter U.S. influence, reminiscent of when China sent "volunteer" troops to support North Korea against the U.S.-led UN forces during the Korean War.

¹⁵⁸ "Is Korea Prepared for Superpower China?," *Chosun Ilbo*, October 3, 2009, http://english.chosun.com/site/data/html_dir/2009/10/02/2009100200297.html.

¹⁵⁹ "Shades of Red: China's Debate over North Korea," 1.

¹⁶⁰ Snyder and Wit, "China Views: Breaking the Stalemate on the Korean Peninsula," 7.

¹⁶¹ Wu Baiyi, "China on the Korean Peninsula: Interests and Roles," *The Korean Journal of Security Affairs* 11, no. 1 (2006): 67.

Even before the recent surge in various capabilities, China has historically been a giant neighbor to Korea. China has traditionally seen Korea as an integral part of its national security. It was through Korea that Japan invaded and controlled Manchuria in the late 19th century, unleashing a period of humiliation for a country that has historically considered itself the center of the world. China still views Japan with unease, especially since the historical issues are unresolved and Japan is a staunch ally of the U.S.

A recent report by the Asia Strategy Working Group states that China wants to be “flanked on all sides by nonthreatening, ideologically compatible regimes” to scotch subversive influences from outside its borders.¹⁶² The U.S. is a strong supporter of Taiwan and a country which calls for democracy—a political system at odds with China’s one-party system. As long as the Korean Peninsula is divided, North Korea acts as a buffer state against the U.S. and its influence.

Unification would most likely leave South Korea, an ally of the U.S., in charge of the whole peninsula. Beijing would want to counter Washington and exert its own influence on the peninsula. For this reason, Chinese leaders liked Rho Moo-hyun's emphasis on peace and reconciliation with North Korea, regional cooperation and stability, and greater independence within the U.S.-ROK alliance relationship.¹⁶³ Rho’s approach may have been seen as permitting the end of the U.S.-South Korean alliance after Korean unification, which would allow China to step in as South Korea’s main strategic partner. Lee Myung-bak’s election clouded this vision of Korea leaning away from the U.S. and toward China. One of Lee’s key early campaign pledges was to

¹⁶² Dan Blumenthal and Aaron Friedberg, "An American Strategy for Asia," in *A Report of the Asia Strategy Working Group*, Washington, DC, American Enterprise Institute, 2009, 7.

¹⁶³ Scott Snyder, "Lee Myung-bak's Foreign Policy: A 250-Day Assessment," in *Korea Institute for Defense Analyses*, Seoul, 2009, 11.

strengthen the U.S.-ROK alliance, especially after the trough in bilateral relations during Rho's administration. Perhaps concerned with Lee's emphasis on the alliance, the Chinese government sent a special envoy to Seoul to meet president-elect Lee even before Lee sent his special envoy to Beijing, reflecting eagerness by China to promote a higher level relationship. During Lee Myung-bak's Beijing visit in May 2008, his first visit as the president, Lee and the Chinese President Hu Jintao elevated relations between the two countries to a "strategic cooperative partnership" level.¹⁶⁴ They reached extensive agreement, including stepped up exchanges and diplomatic and security cooperation resulting in intensified top-level meetings.

The 2008 agreement also highlighted trade relations. China has overtaken the U.S. as South Korea's top trading partner, and bilateral trade is expected to reach \$200 billion annually by 2010. China will likely develop closer ties with South Korea while maintaining its relations with North Korea.

China is North Korea's closest supporter. During the Korean War, China sent "volunteers" to support North Korea. Throughout the Cold War, although North Korea played China against the Soviet Union, Beijing and Pyongyang forged closer relations. Recently, Chinese aid and assistance have become even more crucial. In 2008, China provided 48 percent of North Korea's imports.¹⁶⁵ Usually, imports signify goods traded with hard currency, but with North Korea's lack of hard currency and creative accounting, much of the "imports" can be viewed as aid. Because external aid helps the broken North Korean economy to limp along, if this support were halted, the regime

¹⁶⁴ "China-ROK Joint Statement," Beijing, People's Republic of China Ministry of Foreign Affairs, May 28, 2008.

¹⁶⁵ "CIA World Factbook."

could collapse. China, to prevent a North Korean collapse, is likely to continue support for the Kim regime.

JAPAN

Japan has successfully pursued its national interests, like other countries, to ensure its security and prosperity. It has succeeded; its economy has boomed while its alliance with the U.S. has provided security guarantees. Ever since modernization, Japan has been ambivalent about whether to strive to catch up with the West or to maintain an Asian identity.¹⁶⁶ However, Japan is tied to Asia, not only geographically, but also economically, politically, and culturally.

Economically, China and South Korea are significant trading partners; cultural and educational exchanges have also increased. Japan's relations with its neighbors improved with normalization of diplomatic relations, with South Korea in 1965 and China in 1972. These ties have been strengthened since the 1980s.

The security picture is more complex. Japan's 2009 defense white paper outlines Japan's security concerns. They include Korean reunification, North Korea's nuclear and missile programs, Taiwan, territorial dispute with China over the Senkaku/Daiyotai Islands, and with Russia over the territorial claims over the Northern Territories/Kurile Islands.¹⁶⁷ Additionally, Japan sees secure sea lanes as essential to its survival, as the island nation relies heavily on imported oil and food, which transit through various waters of the world.

¹⁶⁶ Yutaka Kawashima, *Japanese Foreign Policy at the Crossroads: Challenges and Options for the Twenty-first Century* (Washington, DC: Brookings Institution Press, 2003), 4.

¹⁶⁷ "Defense of Japan 2009," Japan Ministry of Defense, 2009, 3.

Japan's interest on the Korean Peninsula dates back prior to Korea's division. Japan has traditionally seen Korea as a dagger aimed at its heart.¹⁶⁸ It was through Korea that the Mongols tried to invade Japan. Resource poor Japan also eyed the natural resources in northern Korea and Manchuria. Japanese determination that Korea not be dominated by powers hostile to Japan prompted its competition with China and Russia starting in the late 19th century. Japan's victories in the Sino-Japanese War of 1895 and the Russo-Japanese War of 1904-5 ensured its dominance over the Korean Peninsula and Manchuria. Japan solidified its control by annexing Korea in 1910 through the end of the World War II in 1945. Today, Japanese-Korean relations can be characterized as "near but far" due to their volatile history. South Koreans still recall when Hideyoshi of Japan invaded Korea in 1592, and the antagonistic feelings have not dissipated for four centuries since.¹⁶⁹ Although few living South Koreans experienced Japan's harsh occupation from 1910 to 1945, the memory is kept alive through its education system and anecdotes.

Tokyo and Seoul normalized relations in 1965 after a continuous strong push from Washington. Although normalization was highly unpopular in South Korea, it was vital to its economic development.¹⁷⁰ A key part of normalization negotiations was reparation to settle claims from the Japanese colonization of Korea. Normalization infused massive capital into the South Korean economy. The Japanese government provided \$500 million in grants and loans and private firms invested \$300 million at a time when South Korea's exports were only \$200 million. South Korean president Park

¹⁶⁸ Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power*, 112.

¹⁶⁹ Green, 112.

Chung-hee used the capital and Japanese technology to create a steel industry that set the course for South Korea's industrialization.¹⁷¹ The Pohang Steel Company (POSCO) is the world's fourth largest steel producer. The steel industry enabled South Korea to become the world's leading ship builder.¹⁷² Since this beginning, Japan and South Korea have developed close economic ties.

On the security front, although there is no direct Japan-ROK alliance, they are allied *de facto* through their respective alliances with the U.S., an arrangement that has deterred threats to Japan that might come through the Korean Peninsula. The close U.S.-ROK security relationship, therefore, serves the interest of Japan.

Japan's relations with North Korea are rocky, and they have yet to normalize diplomatic relations. North Korea's nuclear weapons and missiles threaten Japan. Japan is well within the range of North Korea's missiles, and when North Korea tests its long-range missiles, they are aimed toward Japan. The abduction of Japanese citizens by North Korea remains a sticking point. Despite the unresolved abduction issue, the U.S. removed North Korea from the list of states sponsoring terrorism after North Korea handed over documents on their nuclear program. While the U.S. supports Japan, making progress on the North Korea's nuclear issue outweighed the abduction issue. Japan has no diplomatic leverage with South Korea, China, and Russia on resolving the abduction issue because Japan has historical and territorial disputes with each of these

¹⁷⁰ Donald P. Gregg, "Park Chung Hee: Despite a dictatorial streak, South Korea's long-serving president converted an economic basket case into an industrial powerhouse," *Time* 154, no. 7/8 (August 23-30, 1999): <http://www.time.com/time/asia/asia/magazine/1999/990823/park1.html>.

¹⁷¹ Gregg.

¹⁷² "South Korea's POSCO expands energy work," *United Press International*, October 14, 2009, http://www.upi.com/Science_News/Resource-Wars/2009/10/14/South-Koreas-POSCO-expands-energy-work/UPI-13591255551644/. "Hyundai Heavy, South Korean shipyards plan debt sales," *Infomarine*, March 13, 2009, <http://www.infomarine.gr/index.php?article=29659&cat=shipbuildingnews&mod=article>.

countries. As a result, Japan may feel isolated. Its public has become increasingly nationalistic and may call for a more independent security policy.¹⁷³

Korean reunification is a large and looming issue for Japan. The initial instability following a collapse of North Korea would affect Japan's stability and economy as well. While most of the expected mass movement of people would likely head for China and South Korea, Japan is another possible destination. Instability in Korea could also severely affect Japan's close economic ties with South Korea and China, impacting its domestic economy.

Any Japanese military participation on the peninsula, even under UN auspices, would be problematic and vigorously opposed by Korea given the history. However, Japan would be expected to provide significant financing for some of the reunification costs.

Any rivalry that might emerge between the U.S. and China would concern Japan, as the U.S. is a key ally and China is a close trading partner and a major regional power. The rewriting of the geopolitical landscape is also a concern. Japan wants a friendly reunified Korea, not one tilted toward China or "aggressively nationalistic, anti-Japanese, and free of the restraint imposed by the DPRK menace and U.S. alliance."¹⁷⁴ Japan also would want Korea free of nuclear weapons. Japan's and South Korea's respective alliance with the U.S. and extended deterrence will continue to be useful in allaying the fear and promoting more stable environment in the region.

¹⁷³ Kenji Takita, "Japan's Response to the Peace Process on the Korean Peninsula," *The Korean Journal of Security Affairs* 11, no. 1 (June 26, 2006): 57.

¹⁷⁴ Dujarric, *Korean Unification and After: The Challenge for U.S. Strategy*, 27.

Japan sees China as a rising power that will try to exert its influence in the region, eyeing China's 2.26 million forces and increasing military power with unease. China continues to modernize its military, expanding its air force, naval, and missile capabilities. China's published defense budget for 2006 of \$35 billion is considered underreported, with a recalculated figure close to \$70-105 billion, reflecting double digit growth since 1996.¹⁷⁵

Japan's relationship with China is complicated. On the one hand, both have increased their trade and economic exchanges, becoming important trade partners. On the other hand, there are major tensions. Japan has territorial and maritime disputes with China over the Senkaku/Diaoyu Islands in the East China Sea. China's aircraft and submarines have been increasingly active in the Sea of Japan. The Japan Defense Agency reports that the number of scrambles, mainly against Chinese jet fighters, increased from 141 in FY 2004 to 229 in FY 2005. On January 7, 2007, Japan upgraded its military agency from the Japan Defense Agency to the Ministry of Defense, a cabinet-level organization, signifying the growing importance of its defense apparatus.

As the security environment evolves in Northeast Asia, Japan searches for a national strategy for the region's dynamic and enduring situations. Its alliance with the U.S. has served Japan well. While friendly relations with the U.S. are important, so are relations with its neighbors. Japan's economic ties with China and South Korea have grown dramatically, but historical and territorial issues are stumbling blocks to further improvement of relations.

¹⁷⁵ "Annual Report to Congress: Military Power of the People's Republic of China 2006," ed. Office of the Secretary of Defense, Washington, DC, U.S. Department of Defense, 2006, 20.

RUSSIA

Compared to the U.S., China, and Japan, contemporary Russia is not as weighty as the U.S., China, and Japan in the great power politics on the Korean Peninsula, historically, Russia has considered Korea important to its national interest, especially to the Russian Far East. The Russo-Japanese War of 1904-5 was a competition with Japan over Korea and Manchuria. During the Cold War, North Korea was at the forefront of the Soviet Union's ideological competition with the U.S., and the Soviet Union was involved in a hot war on the peninsula during the Korean War. After the collapse of the Soviet Union, Russia focused on pressing domestic problems, but it also established diplomatic relations with South Korea, hoping to capitalize on Northeast Asia's economic dynamism. Previously a superpower that rivaled the U.S., Russia is dismayed at the marginalization of its influence, and would likely seek to restore its role as a major world power.

Russia's involvement on the Korean Peninsula began in the 1860s when the Czarist Russia gained the Maritime Territories from China, resulting in an eleven-mile border with Korea. Initially, Russian interest focused on commercial extractions of gold and minerals. As China's Ching dynasty disintegrated and domestic strife made the Yi Dynasty in Seoul vulnerable, Japan moved to control the peninsula. For three decades, foreign powers competed for influence, culminating in the Russo-Japanese War. Japanese forces marched through Korea to Manchuria and the Russian border and overran Russian outposts in the Maritime Territories, delivering a humiliating defeat that is deeply embedded in Russian historical memory. Russia is acutely conscious of its vulnerability in Northeast Asia and the importance of denying Korea to hostile powers.

When Japan was about to surrender to the allies in World War II, the Soviet Union learned of it before the U.S. by intercepting a decoded diplomatic cable, and the Soviet Union quickly entered the Pacific War. With memories of the 1905 defeat, the Soviets demanded a role in accepting the Japanese surrender, quickly moving their forces to the northern Korean Peninsula and the Northern Territories/Kurile Islands while U.S. troops were still landing in the south. The Soviet Union had the clear intention to divide the peninsula, while the U.S. lacked a clear goal allowing the Soviet Union to occupy northern Korea and solidifying its influence in the northern half, effectively setting in motion the division of the peninsula.¹⁷⁶ Moscow wanted a close military ally in Pyongyang and backed Kim Il-sung, installing “Soviet-Koreans” in key positions. The Soviet Union, however, lost further influence during the Korean War, when China sent its “volunteers” to aid North Korean war efforts. Moscow did not foresee its competition with China for influence in Korea, as Pyongyang played Moscow and Beijing against each other. In the midst of the Cold War with the U.S. and as Sino-Soviet relations deteriorated, Moscow ended up providing \$11.2 billion worth of Cold War military aid to Pyongyang, including advanced fighters, Scud missiles, and tanks.¹⁷⁷

In the mid-1980s, Mikhail Gorbachev pursued *glasnost* and *perestroika* and moved the Soviet Union to a more balanced posture in the peninsula, establishing diplomatic relations with Seoul in 1990 and canceling the delivery of four nuclear reactors that had been promised to North Korea. The collapse of the Soviet Union in 1991 and the emergence of Boris Yeltsin cut off most assistance to North Korea, including military aid and oil. Yeltsin virtually wrote off Pyongyang, instead forging a

¹⁷⁶ Harrison, *Korean Endgame: A Strategy for Reunification and U.S. Disengagement*, 331.

new relationship with Seoul. The upsurge in nationalist and Communist forces in 1992 and subsequent years put pressure on Russia to reassess its Korea policy and reengage Pyongyang for strategic reasons.

The relationship between Moscow and Seoul began with high hopes. Gorbachev expected massive South Korean investment into the Russian Federation while Rho Tae-woo envisioned normalized relations with Moscow would facilitate improved relations with Pyongyang. These expectations were too high. South Korean investment in Russia was modest due to Russia's poor investment environment. Seoul agreed to provide \$3 billion in loans to Moscow, but as Moscow was unable to make repayments, Seoul stopped disbursement after extending \$1.47 billion.¹⁷⁸ Until the late 1990s, Seoul and Moscow explored a natural gas pipeline project capable of carrying up to thirty billion cubic meters of gas annually. The pipeline would have to go through North Korea. The pipeline was discussed between Seoul and Pyongyang in the Sunshine Policy era, but as with other inter-Korea projects, it proved difficult to get started and to maintain due to North Korean intransigence. While the pipeline through North Korea is on hold, the September 2008 meeting between Lee Myung-bak and his Russian counterpart, Dmitry Medvedev, picked up where the two countries left off in late 1990s. The meeting resulted in an agreement to install gas pipelines through Korea and Russia.¹⁷⁹ The agreement also includes linking the inter-Korean railway to the trans-Siberian railway (TSR) and a South Korea-only port near the North Korean-Russian border.

¹⁷⁷ Harrison, 334.

¹⁷⁸ Harrison, 338.

¹⁷⁹ "Seoul, Moscow Agree on Upgraded Partnership, Gas Pipeline Involving N. Korea," *Yonhap News*, October 2, 2008.

<http://english.yonhapnews.co.kr/northkorea/2008/10/02/32/0401000000AEN20081001006400325F.HTML>

SOUTH KOREA

The Republic of Korea is in search of its place in the world after spectacular successes in economic development and advances in politics, military, and technology. Its rankings in economy, military, and technology are envious by world standards—15th largest economy, 11th largest military budget, and 1st in broadband access and tops in other technology areas. It has perhaps the world's most vibrant democracy. The country leads in shipbuilding, steel, and electronics. In the past decade, South Korea has been recognized for “Hallyu,” or Korean Wave, for the popularity of its movies and music throughout East Asia.

These successes are only recent phenomena that belie Korea's shattered and turbulent past. In 1910, Korea lost centuries-old independence and became Japan's colony until 1945. Soon after came national partition, political turmoil, and a devastating war, which had killed and dislocated millions, leaving the country and families divided and desperately poor. Fifty-six years ago, South Korea was a war-ravaged, poor, agrarian society with little hope. The beginnings of industrialization a decade later led to rapid advances that served as a model for economic development around the world. Its achievements have made Korea more confident and increased its desire for a more independent Korean foreign policy. The younger generation especially wants Korea to assume a regional and global role commensurate with its hard and soft powers.

South Korea's major interests are tied closely to its relationships with the United States, China, and Japan, so this section is focused on those relationships. South Korea's bilateral issues with Russia, which is less central, are described in other sections of this chapter and in Chapter 6.

Relations with the United States

The U.S.-ROK alliance has provided a firm foundation for peace and stability for over five decades. The security relationship paved the way for linkages in trade, education, and technology transfer. This alliance would also provide stability during the early days of unification and help contain any threats that might emerge from China, Japan, or Russia in their efforts to extend their influence in Korea. The alliance relationship was a key factor when the U.S. decided with which country among a list of countries it would negotiate a Free Trade Agreements (FTAs) since the North America Free Trade Agreement. The Korea-U.S. (KORUS) FTA is a historic agreement that, if approved and implemented, would deepen bilateral economic relations while strengthening long-standing relations in the security and political spheres.

The U.S will be an important player in contingency and unification. If collapse is accompanied by war, U.S. military support will be crucial. Even without a war, U.S. assistance in tracking and controlling nuclear weapons would be important. The U.S. also has experience in stability and reconstruction operations, which would be monumental tasks in northern Korea. Washington's support would be needed to get funds from IFIs to a unified Korea for the development of northern Korea. Such support would also send a signal that private financial institutions and countries such as Japan should invest in post-unification Korea. Foreign direct investment would impact a number of areas, including job creation, infrastructure development, and migration.

Korea emphasizes high technology as the key to competitiveness. The U.S. is the source of such technology and Korea benefits from access to it. Korea will have to comply with Washington's restrictions on technology transfer (which apply to China and

Russia for certain technologies), and this is a consideration for Korean-U.S. relations. However, the benefits from technology cooperation are huge, impacting the economic well-being of the two societies. Under the bill introduced in the 110th Congress, the U.S.-Republic of Korea Defense Cooperation Improvement Act of 2008, the U.S. designates Korea as a NATO-like partner for technology transfer, which raises threshold for congressional notification from \$14 million to \$25 million and shortens congressional review time from 30 days to 15 days.¹⁸⁰ This bill passed in the House of Representatives, but was not introduced to the Senate, and thus, it never became a law.¹⁸¹ If the bill became a law, the cooperation in this arena would likely increase even more in the future.

Relations with China

Bilateral relations between China and South Korea improved with normalization in 1992, and good will, trade, investment, and exchanges increased dramatically. The trend is likely to continue. Both consider stability a top priority and will want to take measures to quickly stabilize the peninsula after unification. The focus of development would be in northern Korea, which would also help develop the border area inside China. China's rapid development is not evenly distributed geographically, favoring the coastal areas. Northeast China one of the neglected areas, and the Chinese government is concerned with the effects of uneven internal development. The prospect of further development in the region would serve China's interest as well as Korea's.

¹⁸⁰ The "NATO-like" partners are NATO members, Australia, New Zealand, and Japan. For further information, see Bruce Klingner, "Supporting Our South Korean Ally and Enhancing Defense Cooperation," in *Asia and the Pacific Issues*, Washington, DC, The Heritage Foundation, March 18, 2008, <http://www.heritage.org/Research/Asiaandthepacific/wm1859.cfm>.

¹⁸¹ *H.R. 5443: United States-Republic of Korea Defense Cooperation Improvement Act of 2008* (Govtrack.us (database of federal legislation), 2008 January 5, 2010); available from <http://www.govtrack.us/congress/bill.xpd?bill=h110-5443>.

Any U.S.-China confrontation over Taiwan would put South Korea in an awkward situation, as it hosts U.S. military bases. Both South Korea and China are members of the Association of Southeast Asian Countries (ASEAN) Regional Forum (ARF), which consists of ASEAN plus China, South Korea, and Japan. China and South Korea agreed to a “strategic partnership,” leading to more frequent high level contacts.¹⁸² These more frequent contacts and continued dialogue are crucial for cooperation not only on trade and financial matters, but also to manage contentious or latent issues, like the Goguryeo history dispute.

Relations with Japan

The colonial legacy and unresolved historical issues have become major obstacles, but closer cooperation could bring benefits to both countries. Despite cool emotional relations, economic ties between Japan and South Korea are quite strong. Japan provided not only capital investment after normalization, but also a development model for Korea.

Japan is an economic powerhouse with a strong interest in stabilizing the uncertain period following Korean unification. As such, Japan would be an important source of capital investment to develop northern Korea. Many pro-North Korea ethnic Koreans live in Japan, and they have sent remittances to relatives in North Korea. This group, after unification, could also be a source of support for northern Korea.

¹⁸² Scott Snyder describes various levels of “partnership” with China: “Friendship and cooperative relationship” after normalization in 1992; “full-scale cooperative partnership” under Kim Dae-jung; “Comprehensive cooperative partnership” under Rho Moo-hyun; and the further elevated “strategic partnership” under Lee Myung-bak. For further details, see Scott Snyder, “China-Korea Relations: Establishing a “Strategic Cooperative Partnership”,” *Comparative Connections, Pacific Forum/CSIS* (July 2008): 1.

B. Unresolved Bilateral Issues

The relations between the major regional powers and Korea, and among the regional powers, are complex. Some issues change rapidly, while others are relatively long term. This section identifies, describes and explores the major issues likely to face each pair of bilateral actors relevant to the situation on the Korean Peninsula.

UNITED STATES-SOUTH KOREA

South Korea relies heavily on the U.S. alliance for security. The alliance has served both countries well, allowing South Korea to focus on economic development with spectacular results, and giving the U.S. a foothold on the Asian mainland during the Cold War. However, with the changing global security environment, changing U.S. threat priorities and South Korea's own growing power, South Korea seeks a more collaborative alliance relationship.

In 2008, President Lee Myung-bak described the U.S.-ROK alliance as based on value, trust, and peace promotion. In choosing to make the U.S. his first foreign visit after assuming the presidency, Lee signaled the importance of repairing frayed relations and strengthening the alliance. The Lee administration views the U.S.-ROK alliance not just in military terms, but also as a key to economic prosperity and Korea's medium- to long-term development strategy.¹⁸³

¹⁸³ Seung-joo Baek, "Han-mi Jeonryak Dongmaeng-gwa Hanmi Bangwi Hyubryuk Ganghwa (Strengthening the Republic of Korea-U.S. Strategic Alliance and Defense Cooperation)" (paper presented at the Peace Foundation 22nd Forum: Hanmiil Ahnbo Hyubryeok Ganghwa-wa Dognbuga Gukje Gwngwe (Korea, U.S. and Japan Security Cooperation and International Relations in Northeast Asia), Seoul, Korea, June 24, 2008), 7.

Since the attacks on the United States on September 11, 2001, the U.S. has been reexamining its global posture and the role of its allies and friends. Lee and U.S. president George W. Bush agreed to move the bilateral relationship toward a 21st century strategic alliance, based on “freedom and democracy, human rights and the principle of market economy.”¹⁸⁴ Former U.S. Ambassador to South Korea Alexander Vershbow stressed broadening the vision of the alliance beyond the military to a global agenda of environment, energy, anti-proliferation, anti-terrorism, peace promotion, post-conflict reconstruction, natural disasters, human rights, and democracy.¹⁸⁵ The shared vision of ideal of expanding the bilateral relationship beyond security was reiterated during summits between presidents Obama and Lee Myung-bak in June and November 2009. The two leaders discussed cooperation on a variety of global challenges, including clean energy, sustainable growth, democracy, human rights, nonproliferation, counterterrorism, and peacekeeping.¹⁸⁶

As the U.S. and South Korea search for a broader agenda, their alliance is undergoing transformation. Two major issues confronting alliance transformation are the operational control (OPCON) transfer from the U.S. to ROK and the relocation and realignment of U.S. forces in Korea. A third issue is the Korean-U.S. Free Trade Agreement (KORUS FTA), signed in 2007, but not yet ratified by the legislatures of either country.

¹⁸⁴ "President Bush Participates in Joint Press Availability with President Lee Myung-Bak of the Republic of Korea," White House, April 19, 2008.

¹⁸⁵ Alexander Vershbow, "Congratulatory Address," in *New Era: New Korea-US Alliance*, Seoul, East Asia Institute, July 3, 2008.

¹⁸⁶ Obama and Lee, "Remarks by President Obama and President Lee Myung-bak of the Republic of Korea in Joint Press Availability," http://www.whitehouse.gov/the_press_office/Remarks-by-President-Obama-and-President-Lee-of-the-Republic-of-Korea-in-Joint-Press-Availability/.

Transfer of Wartime Operational Control

After the end of the Cold War, some in the U.S. asked whether the Cold War structure of the alliances is necessary and the U.S. began raising the issue of burden-sharing with its allies, especially with NATO members. The case was less so for the Korean Peninsula as the North Korean threat has not diminished. After the 9/11 attacks, the U.S. defined terrorism as its top threat and conducted a Global Posture Review to reassess its military presence around the world. Some in the U.S., recognizing South Korea's economic wealth, asked why the U.S. was responsible for the cost of South Korea's security. At the same time, South Korea saw the Yongsan Army Garrison in the middle of Seoul as symbolizing its lack of full independence from a foreign power.

During the Rho Moo-hyun administration, the lowest point in the U.S.-ROK relations, the Korean defense minister asked his U.S. counterpart to return wartime operational control from a U.S. general to a Korean general—so called “OPCON transfer.” Korea already has operational control during armistice (not “peace,” since both Koreas are technically still at war). Contrary to common belief, the U.S. general does not automatically receive wartime operational control. The operational control is under a ROK-U.S. bilateral military committee, and only when the South Korean president signs operational control authority over to the U.S. does the U.S. general gain operational control of the combined forces.¹⁸⁷

Currently, a U.S. four-star general is the commander of the U.S.-ROK Combined Forces Command (CFC). This command and control structure combines the two militaries for unity of command, a crucial principle of war, and interoperability, essential

¹⁸⁷ Interview with Keefe.

for operations. The organization is combined: the deputy commander is a ROK four-star general; the Assistant Chiefs of Staffs are headed alternately by U.S. and ROK personnel; the rest of the staff are integrated.¹⁸⁸ The U.S. provides forces to CFC with U.S. Forces Korea (USFK), which is based in Korea. During war, CFC would be reinforced by U.S. forces based elsewhere. The ROK contributes almost all of its armed forces. Separate rules govern command of the designated forces depending on whether it is during armistice or hostilities. In general, each nation commands its own forces on a day-to-day basis. During war, the commander of CFC would exercise command. Unity of command is crucial. The chaos in the battlefield demands a clear chain of command to reduce confusion, duplication, fratricide and the fog and friction of war. Furthermore, the CFC is able to share resources and the facilities. Co-location has tremendous positive impact on operations.

The Rho Moo-hyun administration, probably naively, thought that OPCON transfer meant simply replacing the top U.S. general with a ROK general within the same organization. The former United Nations Command/Combined Forces Command Plans, Policy, and Strategy Director remarked that issue is complicated because the vast majority of the people who discuss the change have lack a basic understanding of war fighting and the complexity of command and control during wartime.¹⁸⁹ Rho's key advisers probably did not understand what they were asking for; their credentials came

¹⁸⁸ *Mission of the ROK/US Combined Forces Command* (United States Forces Korea, July 19, 2008 December, 14, 2009)]; available from <http://www.usfk.mil/usfk/cfc.aspx>.

¹⁸⁹ Jr. Raymond P. Ayres, "Key Note Speech: Transfer of Wartime Command--Some Personal Thoughts," in *The Quest for a Unified Korea: Strategies for the Cultural and Inter-Agency Process*, ed. Jr. Bechtol, Bruce E. (Quantico: Marine Corps University, 2007), 2.

from their activism in the height of democracy movement as part of the 386 generation.¹⁹⁰

In reality, the U.S. is not likely to permanently place the U.S. military under a foreign military commander. Thus, the CFC, which tightly interweaved two militaries, has to be separated into two separate entities. A new arrangement needs to be worked out for the U.S. to meet its obligations and preserve the alliance.

In the Unified Command Plan, the warfighting command is the “supported” command and the other commands are “supporting” commands. In this case, the ROK entity, ROK Joint Forces Command, would be the “supported” command and the U.S. entity, nominally called U.S. Korea Command (KORCOM), would be the “supporting” command.¹⁹¹ The two sides agreed to the OPCON transfer by April 2012.

Although South Korea asked for the OPCON transfer, it is lukewarm about it. The Rho Moo-hyun administration in 2007 requested the OPCON transfer for reasons of national sovereignty and pride, and some have argued that he wanted to fundamentally change South Korea’s relationship with the U.S.¹⁹² When the idea was announced, it met harsh, widespread criticism. All former South Korean ministers of defense and hundreds of retired generals accused Rho of sacrificing the country’s security.¹⁹³ At one point, nearly 20 retired ROK generals summoned the then-defense minister to demand an

¹⁹⁰ The 386 generation denotes those in the 30s (or 40s) who were college age (or actively demonstrated) during the height of the democracy movement in the 80s, and born in the 60s.

¹⁹¹ U.S. Senate Armed Services Committee, *Statement of General B. B. Bell, Commander, United Nations Command; Commander, Republic of Korea-United States Combined Forces Command; and Commander, United States Forces Korea before the Senate Armed Services Committee*, March 11, 2008, 11.

¹⁹² Hyeong Jung Park, *Looking Back and Looking Forward: North Korea, Northeast Asia and the ROK-U.S. Alliance* (Washington, DC: The Brookings Institution, December 2007), 14.

¹⁹³ Bruce Klingner, "It's not right time to discuss OPCON transfer," in *Commentary*, Washington, DC, The Heritage Foundation, June 22, 2009. <http://www.heritage.org/press/commentary/ed062209c.cfm>

explanation and express their opposition. With the conservative administration of Lee Myung-bak, voices in favor of delaying the transfer are louder.

The real test of the OPCON transfer is whether the U.S. and ROK can maintain their combined capability and interoperability after the combined organization separates into two distinct organizations, and whether the U.S. would be able to summon up support as quickly and credibly for a war-fighting command led by a ROK general as it could for a command led by a U.S. general. In a collapse scenario, ROK-led military operations could boost legitimacy for South Korea. A ROK-led military presence may also be more acceptable to China.

Land Partnership Plan/Yongsan Relocation Plan

Another major element of the alliance transformation is the realigning and relocation of U.S. forces in Korea. The discussions of relocation of American forces predate the U.S. Global Posture Review, which called for returning 70,000 U.S. troops and 100,000 family members and Defense Department civilians from overseas back to the U.S.¹⁹⁴

South Korea and the U.S. signed the Land Partnership Plan (LPP) on March 29, 2002. The LPP closes numerous small U.S. Army posts and consolidates the U.S. force presence. The plan calls for reducing the number of bases from 41 to 26 and returning 50 percent of the land in use by the U.S. forces by 2011.¹⁹⁵ The LPP consolidation seeks two key hubs south of Seoul's Han River. One is the Southwest Hub (Osan Air Base-

¹⁹⁴ Donald H. Rumsfeld, "Global Posture: Testimony as Prepared for Delivery by Secretary of Defense Donald H. Rumsfeld, Senate Armed Service Committee," Washington, DC, U.S. Department of Defense, September 23, 2004.

Garrison Humphreys near Pyongtaek City), the centerpiece of the future U.S. forces structure, and the other is Southeast Hub (*Daegu-Jinhae-Busan*), which serves as a logistics center.¹⁹⁶

The plan helps the U.S. to restructure its posture and become more efficient through consolidation while giving back land, a precious commodity in densely populated Korea. South Korea agreed to provide land grants and pay half of the \$2.5 billion to move the forces.

At the time of the LPP discussions, the U.S. troop strength in South Korea was 37,000. In May 2004, the U.S. decided to redeploy 3,600 troops from 2nd Infantry Division's combat infantry brigade near the DMZ to Iraq, the first reduction in troops since the 1970s.¹⁹⁷ The lack of prior consultation with the ROK government about the redeployment and the speed with which the troops were pulled all caused much consternation among Koreans, who feared abandonment by the U.S. While recognizing that the U.S. needed additional ground troops for Iraq, many saw it as the beginning of the phasing down of the U.S.-ROK alliance, especially given the backdrop of tethered bilateral relations under Rho Moo-hyun.

The summit between Lee and Bush put these fears to rest. In describing the alliance transformation, Lee said, "We're in constant touch and we're constantly

¹⁹⁵ *U.S. Military Facilities: Korea* (Globalsecurity.org, August 30, 2009)]; available from <http://www.globalsecurity.org/military/facility/korea-updates-2.htm>.

¹⁹⁶ *The New Korea: U.S. Forces Korea Strategic Digest*, (Seoul: U.S. Forces Korea, June 2009), 15.

¹⁹⁷ Donald Kirk, "US redeployments to Iraq rattle South Korean alliance," *The Christian Science Monitor*, May 20, 2004.

reassessing our needs and we have reaffirmed our need to remain in close dialogue. And we reached an agreement to maintain the current U.S. troop level on the Peninsula.”¹⁹⁸

In October 2004, the two sides signed a Memorandum of Agreement on the Yongsan Relocation Plan, which specifically deals with relocation of the majority of U.S. forces from the Seoul metropolitan area to south to Garrison Humphreys.¹⁹⁹

The redeployment would return the prime real estate of Yongsan in the middle of Seoul to Korea, while moving U.S. forces outside of North Korea’s artillery range. The relocation timeline has been delayed, from 2008 to 2012 to 2014. The relocation and realignment issue has become extremely political. For example, the South Korean government ran into local opposition from local farmers and residents of Pyongtaek over the expansion of Garrison Humphreys, although the city government is generally friendly to the idea as it will help develop the region.

The OPCON transfer issue surfaced later, complicating the move. Originally, it was thought that the CFC headquarters would move, but the OPCON transfer would mean the split of CFC into U.S. and ROK entities. The U.S. entity, KORCOM, would thus move its headquarters to Garrison Humphreys, but not the ROK component, because its Joint Forces Command would be led by the ROK Joint Chiefs of Staff (JCS) located in Seoul. Additionally, a ROK organization would not move onto a U.S. base, because that would require yet another round of negotiations. However, if the two nationally separate entities do not co-locate, it could impact operational efficiency and effectiveness.

¹⁹⁸ "President Bush Participates in Joint Press Availability with President Lee Myung-Bak of the Republic of Korea," 1.

¹⁹⁹ *Memorandum of Agreement between the Government of the Republic of Korea and the Government of the United States of America Regarding the Agreed Recommendation for Implementation of the Agreement between the Republic of Korea and the United States of America on the Relocation of the United States Forces From the Seoul Metropolitan Area (Yongsan Relocation Plan)*, 1.

Lacking a combined command diminishes the unity of command. Not being co-located could stifle common practices and processes, and most importantly, the person-to-person relationships that help operations and ultimately war-fighting capability.

Cost adds another layer of complexity. The LPP's original cost estimate of \$2.5 billion for relocation has increased dramatically. On the ROK side, the National Assembly reduced, not increased, defense spending, which includes the relocation costs. Additionally, South Korea signed up to move the CFC headquarters, not just the U.S. portion (KORCOM) only. South Korea will still need to pay for the facilities for the ROK component of CFC. New and stringent requirements for KORCOM facilities have increased the cost dramatically. Thus, the OPCON issue muddles the payment question. In the U.S., additional requests for military construction are not welcome when the cost of current operations, especially for Afghanistan and Iraq, and the overall defense budget is already increasing to \$680 billion from \$515 billion in FY 2009.²⁰⁰ Relocation and consolidation, while moving forward, may encounter chronic delays for political, operational, and fiscal reasons.

Korea-U.S. Free Trade Agreement (KORUS FTA)

South Korea and the U.S. signed a free trade agreement on June 30, 2007 after more than a year of negotiations. The KORUS FTA, if approved, would be the first significant FTA since the North American FTA (NAFTA), with substantial benefits expected to both sides. The FTA awaits U.S. Congressional ratification with an uncertain future. The Obama administration has not released an official trade policy. During the presidential campaign, candidate Obama saw the KORUS FTA as flawed, stating that it

does not assure access for American exports, such as automobiles.²⁰¹ The bilateral negotiations took place against the backdrop of mass demonstrations in Seoul against American beef tainted with mad cow disease.

To be sure, there would be “losers” on both sides, but the net benefit would be significant. Almost 95 percent of consumer and industrial traded goods would become duty free in three years and most of the remainder would be duty free in 10 years. The reduction in tariffs and quotas on American goods would add \$10 to \$12 billion to the US GDP annually and \$10 billion annually to the U.S. exports to Korea.²⁰² In 2008, U.S.-ROK bilateral trade was valued at \$80 billion. Over the past seven years, however, the growth rate of bilateral trade has been sluggish. The KORUS FTA could significantly increase the U.S.-South Korea trade.

The U.S. would also be a market eventually for goods produced in northern Korea. South Korea initially requested that the goods produced in the GIC in North Korea also be eligible for FTA preferences. The U.S. opposed the proposal as it did not want any FTA benefits to accrue to the Kim Jong-il regime. A compromise was reached with an annex, which addresses “outward processing zones” (OPZs) on the peninsula. While the agreement does not give preferences for GIC-produced goods, it does pave the way for future consideration if the political and economic atmosphere on the peninsula changes in a way desired by both countries.²⁰³

²⁰⁰ "US lawmakers pass 680-billion-dollar defense budget bill," *AFP*, October 8, 2009.

²⁰¹ "Obama Has Misgivings About Korea-U.S. FTA," *Chosun Ilbo*, February 15, 2008, <http://english.chosun.com/w21data/html/news/200802/200802150013.html>.

²⁰² "Korea-U.S. Free Trade Agreement," ed. Office of the United States Trade Representative, Executive Office of the President, July 29, 2009, 1.

²⁰³ Jeffrey J. Schott, "The Korea-US Free Trade Agreement: A Summary Assessment," in *Policy Brief*, Washington, DC, Peterson Institute for International Economics, August 2007, 9.

CHINA-KOREA

China and South Korea have developed close ties. In 2003, China replaced the U.S. as South Korea's top trading partner. The South Korean view of China was largely positive between the establishment of diplomatic relations in 1992 and 2005. Since 2005, however, South Koreans have begun to mistrust China's outwardly benign face. In 2004, 53 percent of South Koreans viewed China as contributing to peace and 30 percent as increasing tensions and instability.²⁰⁴ Four years later, in 2008, over 60 percent saw China as raising tensions and instability in the region and only 26 percent saw China as contributing to peace and stability.²⁰⁵ Three-quarters of the South Korean public think China's military power poses a threat to Korea's security, although only 15 percent see a "great deal" of threat.²⁰⁶

Several specific issues changed South Koreans perception of China. China's claims to the historical kingdom of Goguryeo (Gaogouli in Chinese) and the roughing up of Korean protesters by Chinese students in South Korea probably influenced public opinion in South Korea. Economic concerns are also important.

Goguryeo

Koreans consider the ancient Goguryeo kingdom an essential part of Korea and its history. China's effort to incorporate Goguryeo into Chinese history has created a stir in Korea. The Goguryeo issue turned South Koreans' view of China from favorable to suspicious.

²⁰⁴ James S. Marshall, "South Koreans' Guarded Views of China," ed. Office of Research, The U.S. State Department, August 8, 2008, 3.

²⁰⁵ Marshall, 2.

²⁰⁶ Marshall, 2.

Koreans have long traced their history to the three historically contemporaneous kingdoms of Goguryeo, Baekje and Shilla. The Goguryeo kingdom (37 BC to 668 AD) encompassed what is now part of South Korea, all of North Korea, and large portions of Northeast China, particularly Manchuria.

Figure 2

Map of Goguryeo (37 BC – 668 AD)



Source: en.wikipedia.org

China interprets Korea's historical claims to the region and cultural legacy as posing a threat of irredentism.²⁰⁷ Several million ethnic Koreans live in China's northeastern provinces of Heilongjiang, Jilin, and Liaoning, a traditionally neglected area just north of the North Korean border. In 2002, the Chinese government funded the five year Northeast Borderland History and Chain of Events Research Project, the "Northeast Project." The project claimed that Goguryeo was a subordinate state under the

jurisdiction of the Chinese dynasties, and as such is part of Chinese history. This reinterpretation inflamed Koreans, whose identity is intrinsically linked to the three kingdoms. Korea traces its name from Goryeo, a kingdom that emerged from the unification of the three kingdoms, which was derived from Goguryeo. Beijing may not have expected such a strong backlash from the Korean public; the Chinese historical claim put brakes on the bilateral relationship. Realizing the deleterious effect of the history issue on the bilateral relations, Beijing dispatched senior diplomats to Seoul to ameliorate the situation.

North Korea's response to China's claim was less inflamed, but the issue angered both Koreas. North Korea initially did not protest China's claim to Goguryeo or its cultural legacy, probably due to its dependence on China. However, it did, actively seek to register the relics on its side of the border as a UNESCO World Heritage site in 2002, two years prior to China's request to register the relics on China's side of the border.²⁰⁸ The general assembly of the World Heritage Committee in 2003 "deferred" the decision. China submitted its application for the next World Heritage Committee meeting in China in 2004, and both North Korea and China made the UNESCO World Heritage List.²⁰⁹ The inscriptions on the UNESCO list of Goguryeo relics was one of the most sensitive and highly politicized processes the organization has confronted.²¹⁰

The cultural history debate has important ramifications for the uses and perceptions of national history and national heritage. The key to understanding the

²⁰⁷ Yonson Ahn, *The Contested Heritage of Koguryo/Gaogouli and China-Korea Conflict* (January 11, 2008 September 29, 2009)]; available from <http://www.japanfocus.org/-Yonson-Ahn/2631>.

²⁰⁸ *N Korea makes World Heritage List* (July 1, 2004 October 2, 2009)]; available from <http://news.bbc.co.uk/2/hi/asia-pacific/3856171.stm>.

²⁰⁹ Ahn.

²¹⁰ Ahn.

Goguryeo dispute is that China and Korea draw the boundaries of national heritage and history differently. China defines history, heritage, and culture from the perspective of current territories and borders over which China claims sovereignty. Korea defines national heritage and history by the area where people whose origin is considered Korean settled beyond its present-day territory.

Since China's claim, South Korea's TV series are replete with Goguryeo Kingdom themes, often featuring the repelling of aggression from various Chinese dynasties. While the controversy has died down, South Koreans are suspicious of China's motives because the history project lays the foundation for future claims should the situation in North Korea deteriorate. This history issue, unlike the one with Japan over its role during World War II, has geopolitical implications on the Korean Peninsula post-unification.

The negative feelings between the two countries escalated in April 2008, right before the Beijing Olympics. As the Olympic torch was passing through Korea, Chinese students in Seoul physically clashed with anti-China protesters rallying for Tibet and rights of North Korean refugees in China. The physical confrontation angered South Koreans. A false internet rumor that the Korean government had prosecuted and sentenced a Chinese protestor led to a backlash in China, including the Chinese crowd booing the Korean Olympic performers.

After unification, the large ethnic Korean population living in the area just north of North Korea may want to be part of Korea rather than China. China fears irredentism, not only in this region, but also in other areas, such as Tibet. The impact of separation on Taiwan's demand for independence would be the ultimate nightmare for China. China,

therefore, wants to maintain territorial integrity, and the Northeast project is an effort to bolster its goal.

China's historical relationship with Korea was based on a tributary system in which China was the suzerain. Korea maintained independence, accepted China's suzerainty and paid tribute to China. Korea still recognizes China as a regional power. Korea would not want to return to the past tributary arrangement, but rather wants to be recognized as having equal sovereignty. This is another issue to watch when China tries to exert its influence on a unified Korea. Some South Koreans are concerned that in trying to influence events on the peninsula, China may actually deploy troops within North Korea if they see North Korea nearing a collapse or another uncontrolled crisis. Some analysts, including Pollack and Lee, posit that if North Korea comes to the verge of collapse, Beijing may try to contain the risks within the territory of North Korea to secure its interests.²¹¹

Another area of concern is economic. China's economic development has been rapid. As China enters the higher technology sectors, it could compete with South Korea, which is currently more technologically advanced. After unification, capital from South Korea will head toward northern Korea rather than to China, and some international investment will also be diverted to northern Korea. On the other hand, if this develops northern Korea and the adjacent area in China, China would also benefit.

JAPAN-KOREA

Japan and Korea are close in geographic proximity, but the feelings toward each other, both very nationalistic, remain distant. History and territory are two main areas of

dispute. South Koreans still cite Hideyoshi's invasion of Korea in 1592.²¹² Although few living South Koreans experienced Japan's harsh occupation from 1910 to 1945, the memory is kept alive in the schools and through anecdotes. The Koreans are proud people who resent the colonial subjugation by a country Korea had historically considered inferior.

Historian Bruce Cumings writes, "Japanese imperialism stuck a knife in old Korea and twisted it, and that wound has gnawed at the Korean national identity ever since."²¹³ Japan has apologized, paid reparations to South Korea, and helped Korea develop through foreign direct investment. However, the apologies do not appear sincere to Koreans because Japanese prime ministers continue to visit the Yasukuni shrine, burial site of some Class A war criminals, and because Japanese history textbooks misrepresent its role in World War II. The history issue cannot be resolved by monetary contributions; it needs a commitment to deal seriously with wounded national pride.

The territorial dispute over Dokdo/Takeshima Island is yet another contentious point. Whenever the issue of the disputed island surfaces, it reaches a fever pitch in Korea as it goes to the heart of identity and nationalism. The Korea.net website managed by the Korean Culture and Information Service states "For Japan to insist on possession of Dokdo is *no different from denying Korea's history of liberation (sic)* from Japanese rule."²¹⁴ Both countries are attempting to gain international support for their positions. The Japan Ministry of Foreign Affairs website explains Japan's position in ten different

²¹¹ Pollack and Lee, *Preparing for Korean Unification: Scenarios & Implications*, 77.

²¹² Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power*, 112.

²¹³ Cumings, *Korea's Place in the Sun: A Modern History*, 140.

²¹⁴ *Dokdo and East Sea* (Republic of Korea Culture and Information Service, 2009 October 4, 2009)]; available from <http://korea.net/>.

languages.²¹⁵ The Korea.net website can be viewed in nine languages. The issue is not likely to be resolved soon. Fishing rights in the area exacerbates the problem. If other resources, such as oil reserves, are discovered in the island area, the contest for possession will become even fiercer.

If a unified Korea inherits North Korea's nuclear weapons program along with South Korea's nuclear know-how and capital, Japan will be the only non-nuclear power in the region, although it is protected *de facto* by the American nuclear umbrella. Japan's security concerns and politics may push it to quickly become a nuclear power itself. Were Japan to become nuclear, it would present ramifications for China, India, and Pakistan.

RUSSIA-KOREA

In South Korea, there appears to be no nationalistic backlash against Russia for its role in the division of the peninsula, as is the case for the U.S. among some groups. While there are unresolved loan issues between South Korea and Russia, it is not really a contentious issue, certainly not on the level of Dokdo, Goguryeo, or the U.S. beef imports.

C. Areas for Future Cooperation

While regional conditions are potentially destabilizing, opportunities bound for cooperation and interdependence that could advance Northeast Asia's prosperity.

Dealing with North Korea's nuclear weapons program, cooperating on a contingency

²¹⁵ *The Issue of Takeshima* (Japan Ministry of Foreign Affairs, August 23, 2009)]; available from <http://www.mofa.go.jp/region/asia-paci/takeshima/index.html>.

scenario on the peninsula, and economic integration could yield positive results for the region. These areas of interdependence and cooperation are examined in the multilateral context.

NORTH KOREA'S NUCLEAR WEAPONS PROGRAM

North Korea's nuclear weapons program is a concern for not only the U.S., but also China, Japan, and South Korea. Successfully denuclearizing North Korea would dispense with one of the major post-collapse problems, the control of North Korea's nuclear weapons. Thus, the nuclear issue is an area for cooperation.

Six Party Talks

The Six-party Talks include the five regional powers and North Korea. Washington proposed and Beijing hosted the first Six-party Talks to address the North Korean nuclear weapons program in August 2003. The initial meeting included clearly stated positions from each government to create a solid baseline for negotiations.²¹⁶ Since then, numerous talks have been held with mixed results.

Negotiations led to the September 2005 agreement that North Korea would eventually abandon its nuclear weapons program, re-admit International Atomic Energy Agency (IAEA) inspectors, and rejoin the Non-proliferation Treaty.²¹⁷ In November 2005, the the talks hit a stumbling block after the U.S. Treasury Department, enforcing Patriot Act provisions against dealing with illicit funds, placed restrictions on the Banco Delta Asia in Macau for laundering \$25 million of North Korean funds. The Macau

²¹⁶ James Kelly, *Opening Remarks Before the Senate Foreign Relations Committee on the Six-Party Talks* (Washington, DC: March 2, 2004), 1.

government froze some 50 North Korean accounts. Six-party negotiations broke down, and Pyongyang increased its provocations, testing missiles in July 2006 and conducting a nuclear test in October 2006.²¹⁸

China was able to get North Korea back to the talks and in February 2007, a denuclearization plan was negotiated. The U.S. tried to jump start the 2005 agreement, promising to release the Banco Delta Asia funds and humanitarian and energy aid in exchange for which North Korea would have 60 days to shut down its main nuclear complex with verification by international inspectors and a complete declaration of the nuclear programs to be abandoned.²¹⁹

North Korea partially disabled its nuclear reactor by shutting down its plutonium-producing nuclear plant at Yongbyon and in October 2007 agreed to end its nuclear program in exchange for economic and diplomatic concessions. A month later, Pyongyang started to disable three core facilities at Yongbyon with U.S. experts present to oversee the disablement activities. North Korea provided eighteen thousand pages of documents on production records from its nuclear program to the U.S. in May 2008, followed by a declaration a month later as called for in the agreement. Although the declaration was late and incomplete, the U.S. responded by lifting the application of the Trading with the Enemy Act and removing North Korea from the list of State Sponsors of Terrorism.²²⁰ The same month, North Korea blew up the nuclear reactor cooling tower,

²¹⁷ Jayshree Bajoria and Carin Zissis, "The Six-Party Talks on North Korea's Nuclear Program," New York, Council on Foreign Relations, July 1, 2009, 2.

²¹⁸ "North Korea claims nuclear test," *BBC News*, October 9, 2006, <http://news.bbc.co.uk/2/hi/6032525.stm>.

²¹⁹ Christopher R. Hill, "Update on the Six Party Talks," Washington, DC, The Brookings Institution, February 22, 2007, 6-7.

²²⁰ "Background Note: North Korea."

an internationally televised but largely symbolic gesture.²²¹ Pyongyang also allowed the IAEA inspectors to return to North Korea.

The second and most recent of the talks was held in September 2008. These talks came to a standstill as North Korea waited for the promised aid. It claimed that it fulfilled its side of the bargain by providing declaration, while the U.S. delayed aid because the inventory is incomplete. As in the past, North Korea responded to the breakdown in talks by conducting more tests, this time a “satellite launch,” essentially a missile test, on April 5, 2009. The UN Security Council unanimously condemned the launch. North Korea angrily declared it will not take part in the talks, expelled the international nuclear inspectors, and informed the IAEA that it will resume its nuclear weapons program. Pyongyang then escalated the threat by detonating an underground nuclear device in May. The UN responded with UN Security Council Resolution 1874, which called for increased sanctions and enforcement, including strengthening the arms embargo and inspections of suspicious vessels.²²²

The escalation continued with North Korea firing a series of missiles east from its launch site on the east coast. The situation has been spiraling downward, but there is still hope. The nuclear standoff may turn around with the recent visit by Chinese Premier Wen Jiabao to Pyongyang. Wen might convince North Korea to return to the Six-party Talks in exchange for increased food, energy and economic assistance. Pyongyang indicated willingness to talk bilaterally with the U.S. and multilaterally in the Six-party

²²¹ Sang-hun Choe, "North Korea Destroys Tower at Nuclear Site," *The New York Times*, June 28, 2008. See also *North Korea Destroy Nuclear Plant - cooling tower (CNN footage)* (YouTube, June 27, 2008 October 20, 2009)]; available from <http://www.youtube.com/watch?v=VxYeny9qwwU>.

²²² *Security Council, acting unanimously, condemns in strongest terms Democratic People's Republic of Korea nuclear test, toughens sanctions, United Nations Security Council Resolution 1874* (New York: United Nations, June 12, 2009), 1.

Talks. In December 2009, Ambassador Stephen Bosworth, U.S. Special Representative for North Korea Policy, went to Pyongyang to discuss resumption of the Six-party Talks.²²³ As of January 2010, North Korea has not expressed its interest in returning to the multilateral nuclear disarmament talks.

The Nuclear Card

North Korea's nuclear weapons program has many dimensions. To be sure, it is a destructive weapon that threatens South Korea and the region. It is also a nuclear card in international negotiations. Internally, it is a powerful tool to placate and insure legitimacy and support from domestic constituents. It is also a symbol of international prestige against the backdrop of potential proliferation and the security dilemma facing the regional powers. It is crucial for the regional powers to continue to address this important topic. The Six-party Talks have become the mechanism for all the parties to come together for a common cause, a feat in itself. The Six-party Talks have also increased the number of stakeholders working on the issues multilaterally. China, initially reluctant to address North Korea's nuclear issue, has played a significant role as the chair of the organization.

In addition to addressing the nuclear disablement issue, The Six-party Talks with key regional powers could also become a foundation for a more formal security cooperation organization.²²⁴ The region would benefit from a security cooperation

²²³ Stephen Bosworth, *Briefing on Recent Travel to North Korea* (Washington, DC: U.S. Department of State, December 16, 2009), 1.

²²⁴ Tara O, "Building a Peace Regime on the Korean Peninsula and in Northeast Asia," *Korea and World Affairs* 31, no. 4 (Winter 2007): 425.

institution, especially if there is a situation marked by regional instability such as North Korea's collapse.

PRE-COLLAPSE: PLAN AND COORDINATE

Immediate chaos following a contingency must be managed. Depending on the scenario, South Korea could lead the efforts to manage the collapsed North Korea, leading to unification. Cooperative relations between South Korea, China, and the U.S. would be essential to manage the immediate aftermath of collapse. Cooperation would also be necessary to provide the secure environment sought by investors, which helps to develop North Korea since hostile competition between the U.S. and China would drive away investments. China wants a friendly neighbor or one that accommodates China's national interests. Too much U.S. influence, including American troops, would not be acceptable. Because of this concern, some in South Korea are concerned that China would move troops into North Korea if North collapses or a leadership change causes confusion and chaos.²²⁵ Washington would want to avoid instability and would support Seoul's effort to mitigate crisis. South Korea would need help from outside, but at the same time, it would want to limit the role of foreign powers on the peninsula. A Washington-Seoul-Beijing dialogue would be a first step in addressing the concerns of all parties.²²⁶

The three powers need a plan for a contingency, yet, these governments have had little or no substantive discussion to coordinate and manage instability in North Korea. It

²²⁵ Pollack and Lee, *Preparing for Korean Unification: Scenarios & Implications*, 77.

²²⁶ Michael J. Finnegan, "PacNet #48 -- What Now? The Case for U.S.-ROK-PRC Coordination on North Korea," in *PacNet Newsletter*, Honolulu, Center for Strategic and International Studies Pacific Forum, September 12, 2008, 1.

appears there were no serious discussions on a bilateral plan between South Korea and the U.S. until recently. Victor Cha, a senior Bush Administration official, states that there was no agreed upon mechanism for bilateral, trilateral or other planning to deal with a collapsing North Korea.²²⁷ A concept plan between Washington and Seoul existed, but all dialogue ceased under the Rho Moo-hyun government as his administration feared offending Pyongyang and giving the impression of U.S.-ROK conspiracy to collapse the regime.²²⁸

This situation is changing under the Lee Myong-bak administration. At the ROK-U.S. Military Committee Meeting in October 2008, the U.S. proposed setting up a detailed plan in case North Korea collapses.²²⁹ While Seoul still does not want to provoke the North unnecessarily, the two allies agreed on the basic principle of the need for a shared plan.²³⁰ Although this recognition is a start, the upgrading of the concept plan to an operational plan would deal mainly with the military's role, rather than the roles and responsibilities of other agencies or international organizations. The plan would need to embrace the roles of non-military agencies, non-governmental organizations, and international institutions. Additionally, the upgraded plan would apply to the U.S.-ROK Combined Forces Command, the current bilateral military structure, rather than the new structure after the wartime operational control transfer. After the transfer, a ROK general would lead war time operations with its Joint Forces Command. The U.S. component would support the ROK Joint Forces Command. Any plan would need to take such changes into consideration.

²²⁷ Richard Halloran, "North Korea Conundrum," *Washington Times*, June 15, 2008, B4.

²²⁸ Victor Cha, "We Have No Plan," *Chosun Ilbo*, June 9, 2008.

²²⁹ "US Offers Action Plan in Case of NK Collapse," *The Korea Times*, October 29, 2008, http://www.koreatimes.co.kr/www/news/nation/2008/10/113_33472.html.

The U.S. has invited China to discuss North Korea's future, but Beijing has refused, emphasizing that it is unacceptable to allow North Korea to collapse.²³¹ Zhang Laingui, a North Korea expert in China, points out the difficulty of China holding such talks with the U.S., which might irritate Pyongyang; however, he acknowledges that discussing a contingency plan could reduce misunderstanding between China and the U.S. given the strategic demands of both sides.²³² Due to the political sensitivity, it may be prudent to have such discussions at the track II level, which involves collaboration among scholars and experts rather than direct government-to-government deliberations.

The United Nations headquarters in New York also does not have a plan in the event of Korean unification and any scenarios leading up to it.²³³ To create a plan, the UN Security Council permanent members need to agree that it is necessary. The five permanent members are China, the U.S., the UK, France, and Russia. Both China and Russia have been supporters of North Korea, and it may be too politically sensitive for them to discuss a plan. Additionally, the UN headquarters leaves the UN matters to the UN Command in Korea, and even if the UN Command did have a contingency plan, there seems to be no formal communications mechanism between the two.

When the Korean War began in 1950, the United Nations responded swiftly, with the UN Security Council passing resolution to condemn the attack and calling to protect South Korea. The UN Security Council Resolution created the UN Command comprised of 17 countries to repel North Korea's aggression. The UN gave the executive agent authority to the U.S. The United Nations Command remains, led by a U.S. 4-star general

²³⁰ "US Offers Action Plan in Case of NK Collapse."

²³¹ Juan Kang and Qiang Guo, "Allowing collapse of North Korea unacceptable: experts," *China Daily*, December 14, 2009, <http://bbs.chinadaily.com.cn/viewthread.php?gid=2&tid=643479>.

²³² Kang and Guo.

who serves concurrently as commander of the Combined Forces Command and the U.S. Forces Korea.²³⁴ The United Nations Command Korea consists of the U.S. and the Republic of Korea and 14 of the 17 “Sending States” that augment the alliance (Australia, Belgium, Canada, Colombia, Denmark, France, Greece, Netherlands, New Zealand, Norway, Philippines, Thailand, Turkey, and the United Kingdom).²³⁵ In addition, UN Command Rear, located in Japan, is a major theater logistic enabler with seven bases in Japan where UNC Rear accredited members can sail or fly in under the UNC flag without the need to secure concurrence from the Japanese government.²³⁶ The UN Command’s Military Armistice Commission (UNCMAC), with a small staff, remains in Korea to monitor the implementation of the armistice.²³⁷ It is important to note that UNCMAC’s authority and scope focus on the armistice, not reunification. However, lack of a plan could lead to misunderstandings and chaos that might result in other undesirable or dangerous scenarios.

Clearly, planning is lacking among key stakeholders on the peninsular affairs. They need to collaborate and prepare for a potential collapse scenario.

POST-COLLAPSE: NUCLEAR WEAPONS

Nuclear weapons lost during the chaos of collapse are major concerns for not only the U.S., but also China, and Russia. These weapons could possibly cross borders into China or Russia. Accordingly, these countries need to collaborate with each other to

²³³ Interview with a UN official in New York City, October 9, 2006.

²³⁴ *Office of Commander* (United States Forces Korea, December 28, 2009); available from <http://www.usfk.mil/usfk/officeofthecdr.aspx>.

²³⁵ Jacqueline Chang, "Politics of North Korean Refugees and Regional Security Implications" (Naval Postgraduate School, June 2009), 16.

²³⁶ Chang, 17.

ensure the security of the weapons. Because U.S. special operations forces may be tasked to locate and secure the weapons, prior consultation with China would alleviate potential misunderstanding. If the nuclear weapons cross the border into China or Russia, then the parties involved will need to discuss the roles of their respective militaries in pursuing and securing these sensitive weapons. These countries, and especially China and the U.S., need to reach an understanding prior to any collapse.

POST-COLLAPSE: STABILITY AND ECONOMIC DEVELOPMENT

It is imperative for all the countries concerned to cooperate on stabilization and economic development of a reunified Korea. In particular, South Korea, China, and the U.S., as emphasized above, need to coordinate their efforts. One of the first measures would be the provision of basic services, such as food, water, and electricity. In the long-term, they will need to focus on economic development to create a more stable environment.

Mass Refugee Flow

Given the porous border, China worries over mass refugee movement from North Korea. China would be sensitive to the large influx of refugees and may not want external influence. To manage the situation, however, prior coordination with South Korea, the U.S. and the UN High Commissioner for Refugees (UNHCR) could help. The UNHCR could manage a pre-designated area in northern China to handle North Korean refugees, with the understanding that international efforts to stabilize northern Korea would provide incentives for the refugees to return home. This option would be better

²³⁷ Interview with John Burzinsky, United Nations Military Armistice Command, Seoul, July 31, 2006. He

than massing troops along or within the North Korean border, which could cause misunderstanding with U.S.-ROK combined forces or ROK forces.

Assistance and Development

North Korea suffers chronic food and energy shortages. Initially, food aid may need to continue. North Korea's infrastructure is dilapidated and inadequate to provide basic services, much less economic development. Creating a nation-wide infrastructure would be a massive project requiring huge investments. However, it would be a crucial step to providing water, electricity, transportation, and communications so that people can stay where they are instead of migrating, and to provide the basis for creating jobs, attract investments, and stimulate business activities.

Such infrastructure projects would benefit from international cooperation. International development institutions, such as the World Bank, could extend grants and loans for infrastructure projects, and the support of the U.S. would be important. Japan could also use its financial prowess to assist in infrastructure development. Other countries could also assist, either via direct government financing or by encouraging a consortium of private investors. Infrastructure development would not only establish the network needed to provide services to the public and businesses, but would also be important in the creation of jobs. A demobilized million-man military would pose a significant problem for the society if they were to sit idle, as they will not be able to sit for long. The infrastructure is one of the largest sectors capable of absorbing the young and the restless.

emphasized that the UNCMAC does not enforce armistice, but monitors its implementation.

As a part of infrastructure development, Russia and South Korea could implement their bilateral agreement to connect the railroad and gas pipeline from South Korea through northern Korea to Siberia, linking East Asia to Europe and bringing Russian natural gas to Korea. The gas pipeline could extend to Japan with the construction of an undersea pipeline from South Korea. The energy need in North Korea is currently dire, and after unification, economic development activities will require even more energy. With its vast energy resources, Russia could provide oil for northern Korea.

In facing the challenges of a collapse scenario, various countries, especially China and the U.S., can help insure stability by engaging in dialogue prior to the reunification focused on transparency to minimize misunderstanding of each other's moves. A stable environment would be crucial to relieve public anxiety, attract investment to the region, and advance economic development.

Establishing Coordinating Mechanisms

To restore order, provide basic needs, reassure the public, and provide long-lasting stability after a collapse, coordination at the national and international level are required. The efforts could be led by South Korea, but the U.S. could actively engage the UN to forge an international consensus to alleviate humanitarian disaster while supporting the Republic of Korea.

Coordination is also crucial at the local level. A coordination center, perhaps led by the South Korean government, could integrate the efforts of NGOs and government at the neighborhood, provincial, and national levels. Integration and coordination across agencies is already occurring in Iraq and Afghanistan by the Interagency Management System (IMS), which uses the "whole of government" concept to address reconstruction

and stabilization.²³⁸ Developed by the U.S. State Department's Office of the Coordinator for Reconstruction and Stabilization (S/CRS), IMS is part of a framework for planning and coordinating U.S. reconstruction and stabilization operations.²³⁹ The IMS brings together experts from the U.S. Departments of State, Defense, Homeland Security, Justice, Agriculture, Treasury, Transportation, Energy, Health and Human Services, and other agencies to provide unity of purpose through a wide-ranging planning and management process, and to pursue the goal in a unified effort through integrated operations in the field.²⁴⁰ The experience of the U.S. would be valuable in a collapsed North Korea. It is important to develop a mechanism to coordinate efforts of the diverse entities that will likely operate in a collapsed North Korea. At the same time, it is also imperative that China understands the U.S. presence as contributing to stability of the region, rather than a threat. To enhance this understanding, the China, the U.S. and South Korea would need to discuss the roles prior to collapse.

In summary, there are five major powers neighboring North Korea whose national interests and bilateral and multilateral relationships must be considered in any scenario for the future of the Korean Peninsula. Although Russia and Japan have specific concerns about their relations with Korea, and could play important roles in a post-collapse scenario, the most important regional powers with the greatest stakes and responsibility are South Korea, China, and the United States. Understanding the

²³⁸ Matthew Cordova, "A Whole of Government Approach to Stability," in *Dipnote*, Washington, DC, U.S. Department of State, June 10, 2009,

http://blogs.state.gov/index.php/entries/government_approach_stability/.

²³⁹ "Stabilization and Reconstruction: Actions Are Needed to Develop a Planning and Coordination Framework and Establish the Civilian Reserve Corps," U.S. Government Accountability Office, November 2007, 3.

²⁴⁰ John Herbst, "Prepared Statement by Ambassador John Herbst, Coordinator for Reconstruction and Stabilization, U.S. Department of State, before the Subcommittee on Oversight and Investigations and

geopolitical landscape and economic relations among these nations, their major concerns and unresolved issues helps to clarify areas for possible cooperation in the event of a North Korean collapse.

CHAPTER 6: PREPARING FOR AND RESPONDING TO COLLAPSE

Pyongyang's collapse would have a number of serious consequences, especially for South Korea. North Korea has 1.2 million military personnel with the largest artillery in the world, enough to inflict mass casualties and severe damage to the Seoul metropolitan area.²⁴¹ North Korea had threatened to turn South Korea into a "sea of fire," a vivid image that can be easily imagined.²⁴² South Koreans question the desirability of sudden unification even without a war because of the likelihood of mass migration, economic cost, and social problems. They often cite Germany, which had a long period of east-west exchanges and cooperation through Ostpolitik before unification and yet still faces numerous difficulties.

The gap between South and North Korea is much greater than that of the former West and East Germany. For instance, the South Korean economy was 65 times larger than North Korea's in 2007, while the West German economy was only 12 times larger than East Germany's in 1989 when the Berlin Wall fell.²⁴³ The per capita income ratio for Germany was 3:1, while for Korea, it is 32:1, a significant gap. One indicator of development is the infant mortality rate. As depicted in Table 7, infant mortality for

²⁴¹ Kathleen T. Rhem, "North Korean Military 'Very Credible Conventional Force,'" *American Forces Press Service*, November 18, 2003, http://www.defenselink.mil/news/Nov2003/n11182003_200311181.html.

²⁴² North Korea has threatened to turn South Korea into a "sea of fire" on numerous occasions. For instance, see "North Korea threatens 'sea of fire' if attacked" *BBC News*, January 22, 1999, <http://news.bbc.co.uk/2/hi/asia-pacific/260067.stm>. "U.S. military bases will become a 'sea of fire' if war breaks out on the Korean peninsula," *World Net Daily*, February 5, 2005, http://www.wnd.com/news/article.asp?ARTICLE_ID=42733.

²⁴³ "National Accounts Main Aggregates Database," United Nations Statistics Division, September 2008.

West and East Germany were almost identical, but for South Korea, it is 4 per 1,000 live births and for North Korea, it is 48 per 1,000—again a huge gap.

TABLE 12
South-North Gap (2007) and West-East Gap (1989)

	South Korea (S)	North Korea (N)	Ratio (S:N)	West Germany (W)	East Germany (E)	Ratio (W:E)
Population (million)	48.2	23.8	2.0:1	62.1	16.6	3.7:1
GDP (\$ billion)	956.8	14.8	64.7:1	1,197.5	96.9	12.4:1
GDP/capita (\$)	19,841	618	32.1:1	19,283	5,840	3.3:1
Infant Mortality (per 1,000 births)	4.1	48.2	0.09:1	7.4	7.5	0.99:1

Sources: UN Statistics Division, <http://unstats.un.org/unsd> and *The Economist*, May 10, 1997, 78.

When the 1997 Asian Financial Crisis hit, with capital flight, plunging exchange rates, massive layoffs, and social despair, South Korea suffered a severe setback. Bankruptcies and massive layoffs, unheard of in the past, were common. People lost homes and homelessness increased dramatically. Suicide rates skyrocketed. The exchange rate plummeted. The IMF infused billions of dollars in capital in one of the largest bailouts in its history. With this experience still relatively fresh in their minds, South Koreans are reluctant to experience the manifestly more difficult hardships associated with unification.

Calculating and comparing the social and political costs of sudden (and near-term) vs. gradual (and long-term) unification would be even more difficult. Many South Koreans are aware of the heavy price paid by West Germany to East Germany after the fall of the Berlin Wall. Exacerbating the cost concern is the greater disparity between South and North compared to the gap between West and East Germany. Many South

Koreans are unwilling to pay for unification's economic cost and they are unprepared to deal with the social cost.

The divergence between North and South would create significant social problems after unification, some of which are evident in North Korean defectors' difficulties adjusting to life in South Korea. Northerners are not familiar with the South's economic, political, and cultural systems and customs. Communication is difficult because different words, especially foreign words, are widely used in South Korea. South Korean employers discriminate against North Koreans, making it hard for them to earn an income.

While the difficulties of collapse would be felt most heavily by those on the Korean Peninsula, neighboring states and regional powers would also be affected by the collapse and would likely help to resolve or mitigate the problems associated with a collapse scenario. This chapter examines the major challenges expected to emerge in the event of a North Korean collapse: the control of nuclear weapons, disorder in the immediate aftermath of collapse, provision of basic goods and services, migration, infrastructure, unemployment, social integration, economic development, development funds and investment, reforestation and flood mitigation, and developing the DMZ. Some of these problems are likely to be immediate; others will emerge in the longer term.

A. Control of Nuclear Weapons

North Korea's nuclear weapons program and its proliferation are key concerns to the five regional powers. North Korea conducted its first nuclear test in October 2006 and another one in May 2009. Estimates vary, but given that its five megawatt reactor

can produce five to seven kilograms of plutonium per year, North Korea may possess 14 to 23 nuclear weapons.²⁴⁴ If the Six-party Talks are successful, the nuclear issue may be resolved prior to reunification. Unified Korea would then implement the multi-party agreement. The financing for denuclearization may need to change if South Korea becomes burdened by the reunification costs.

NUCLEAR WEAPONS ACCOUNTABILITY

If North Korea is not denuclearized prior to reunification, then the combined ROK-U.S. forces would have to safeguard and maintain control of the nuclear weapons, facilities, materials, and scientists upon reunification. The loss of control of nuclear weapons and materials poses a grave danger to the international community. The nuclear weapons and materials must be accounted for, the facilities must be secured, and the nuclear specialists must be rapidly protected and reemployed. It is critical to quickly identify what elements of North Korean society, if any, control the nuclear weapons and work with them to ensure accountability. There would be a number of actors involved, including the Republic of Korea, the U.S., and China.

With an urgent need to safeguard nuclear weapons, the military may get involved. The U.S. special operations forces (SOF), with ROK's support, would be ideal for such a task. Trained in unconventional warfare and possessing unique skills, they would be able to employ speed, flexibility, and innovation in a counter-proliferation mission.²⁴⁵ Robust

²⁴⁴ Jonathan Pollack, "North Korea's Nuclear Weapons Program to 2015," in *NBR Special Report No. 13 North Korea and Iran: Nuclear Futures and Regional Responses*, ed. Tim Cook, The National Bureau of Asian Research, May 2007, 13.

²⁴⁵ "Joint Publication 3-05 Doctrine for Joint Special Operations," ed. Joint Staff, U.S. Department of Defense, December 17, 2003, I-2.

intelligence support would be important for identifying relevant targets and planning and executing their missions.²⁴⁶

The details of SOF activities should not be divulged, but it is important to coordinate with China at the strategic level on counter-proliferation efforts. China does not want U.S. military forces near its border, but it also does not want uncontrolled nuclear weapons and related materials smuggled inside its border, and so has an interest in insuring that responsible parties safeguard the weapons. Because uncoordinated activities could lead to misunderstanding, China and the U.S. should coordinate on the nuclear issue prior to North Korea's collapse. North Korea shares a border with Russia, another potential route for nuclear weapons, so coordination with Russia would also be necessary.

In the medium to long term time frame, if there is a request for U.S. support, the Department of Energy (DOE), rather than the Department of Defense (DOD) could be the lead agency to coordinate the effort. For instance, DOE, working with ROK counterparts and international agencies, could provide support to manage the weapons, facilities, and nuclear science specialists. The DOE's strength is its expertise and experience with such programs as the Nunn-Lugar Cooperative Threat Reduction (CTR) Program, which helped the former Soviet states reduce, eliminate, and safeguard their nuclear stockpiles and facilities in addition to assisting their nuclear scientists.

²⁴⁶ Joint Publication 3-05 Doctrine for Joint Special Operations, IV-1.

NUNN-LUGAR ACT (COOPERATIVE THREAT REDUCTION PROGRAM)

The 1991 Cooperative Threat Reduction (CTR) Program, sponsored by former Senator Sam Nunn and Senator Richard Lugar, provides U.S. expertise and funding to help dismantle the vast stockpiles of nuclear, chemical, and biological weapons and their delivery systems in the former Soviet Union.²⁴⁷ As of 2009, the program has deactivated or destroyed 7,514 nuclear warheads, 752 intercontinental ballistic missiles (ICBMs), and thousands of other related materials.²⁴⁸ The program facilitated the removal of all nuclear weapons from Ukraine, Kazakhstan, and Belarus, which had inherited a significant number of nuclear weapons after the Soviet breakup. In 2003, Congress approved the Nunn-Lugar Expansion Act, which allows the CTR program to operate outside the former Soviet states for non-proliferation measures. This expansion allowed the program to operate in Albania, and by 2007, chemical weapons in Albania were destroyed.

Beyond the efforts to eliminate weapons of mass destruction (WMD), the program also reaches out to nuclear scientists, employing 58,000 former weapons scientists in peaceful research projects using WMD-related facilities-turned-research centers.²⁴⁹ Congress recently authorizes the Nunn-Lugar CTR program to receive financial support from foreign governments and other international institutions.²⁵⁰

²⁴⁷ Discussions with John Merrill, U.S. Department of State. Gave author the idea of applying Nunn-Lugar Cooperative Threat Reduction program for North Korea during 2001-02, Washington, DC.

²⁴⁸ *The Nunn-Lugar Scorecard: Destroying Weapons and Materials of Mass Destruction through Cooperation* (Office of the U.S. Senator Richard G. Lugar, October 19 2009 [cited December 14, 2009]); available from <http://lugar.senate.gov/nunnlugar/scorecard.html>.

²⁴⁹ "The Nunn-Lugar Cooperative Threat Reduction Program: Lugar celebrates opening of largest Nunn-Lugar WMD destruction project," Office of the U.S. Senator Richard G. Lugar, 2009.

²⁵⁰ *Nunn-Lugar Reforms Included in Defense Budget Bill* (Nuclear Threat Initiative, October 16, 2009 December 14, 2009)]; available from http://gsn.nti.org/gsn/nw_20091016_8437.php. 2009-2010 111th Congress, "H.R. 2647 National Defense Act for fiscal Year 2010," U.S. Congress, 2010.

The U.S. Department of Defense would be able to spend up to one-tenth of the program's budget on unforeseen nonproliferation operations. The CTR would be a useful tool to control and manage nuclear, chemical and biological weapons, related materials, and personnel inherited from North Korea.

B. Disorder in the Immediate Aftermath of Collapse

North Korean society, controlled by the Kim regime at every level, could fall into a state of disorder and chaos after collapse. People would feel anxious and uncertain, crime could increase, and mass migration could ensue. A quick response to restore order should be a major goal of planning.

SYSTEM OF CONTROL

Kim Jong-il has a tight system of control that reaches every level of society. Virtually all North Koreans are required to belong to a political organization. The Korean Workers' Party (KWP) is the main important political and ideological organization, at the top of the network of Party and state institutions where political, social, and economic policy is conceived and directed by a small elite. The organization is elitist by nature, according to former Australian diplomat Adrian Buzo. It monopolizes state resources and

is at the core of political culture marked by exclusion, centralization, strict accountability, hierarchy and discipline, while its style also reflects its ex-guerilla leadership—ruthless, Spartan, secretive, suspicious of intellectual activity, resourceful, predatory, and improvisatory.²⁵¹

²⁵¹ Buzo, *The Guerilla Dynasty: Politics and Leadership in North Korea*, 28.

The KWP is active through an elaborate network of specialized and mass organizations, including government, the military, and youth and women's organizations. Those under the age of 30, considered too young for the KWP, are obligated to join the Kim Il-sung Socialist Youth Union.²⁵² Other organizations include *Sonyeondan*, the Children's Union, and *Inminban*, neighborhood groups of 30 to 50 families comprised primarily of housewives.²⁵³ Such groups inculcate ideology and reverence for Kim Jong-il. Through these mechanisms, the regime controls information flow, physical movement of the people, and people's general speech and behavior. The structure is hierarchical—orders flow from the top to the lowest levels in the township, where they are implemented. If the central government no longer functions, local level governments will not know what needs to be done. In the face of uncertainty and unanticipated events, local governments could also fall. As often occurs when rules are not enforced, looting and disorderliness may prevail. The lack of order would lead to further problems, such as mass migration and increased crime.

A state of disorder breeds foolhardiness in some and fear in others. In a lawless situation, some loot since there is little risk of punishment. Other people will be gripped by fear and insecurity which may lead them to depart the area. It will be important to calm the public by persuading them that the situation is under control. In North Korea, the internet is a luxury and not everyone has a television. Radio or loud speaker announcements reassuring people that order exists may be effective at stemming the migration tendency. Such announcements, however, must be followed by deeds.

²⁵² Lankov, *North of the DMZ: Essay on Daily Life in North Korea*, 202.

²⁵³ Lankov, 174 and 203.

Institutions at the local and provincial levels must be built with sufficient capability to restore order and inspire confidence within the populace.

STABILITY OPERATIONS

Until local capacity is built, restoration of order may fall on the ROK forces. The ROK constitution recognizes North Koreans as citizens of South Korea, meaning that South Korea has a constitutional requirement to protect and provide for them. Furthermore, it has moral and psychological responsibilities stemming from shared ethnicity, history, and culture. Despite the desire for gradual and peaceful unification, the South Korean public might demand their government take action in a contingency. In a collapse/no war scenario, South Korea's 560,000 active duty army and 3 million reserve personnel could deploy rapidly to each of the North's nine provinces and three special cities for stability operations, disaster relief, and community assistance.²⁵⁴

The UN is another possible actor. Since three UN Security Council members have strong interests on the peninsula, having the UN lead stability and reconstruction efforts may be more acceptable to the interested parties and provide international legitimacy. However, it would take longer to achieve UN consensus and organize peacekeeping forces large enough for stability operations. Additionally, Koreans would recall their bitter experience as a UN Protectorate, and may resist such efforts.²⁵⁵

China would be another player in case mass exodus of North Koreans into China following a collapse. China will likely employ the PLA and PNP for managing the refugee flow. However, these entities have limited experience with mass refugees.

²⁵⁴ Ryoo, "The ROK Army's Role When North Korea Collapses Without a War with the ROK," 42.

²⁵⁵ Ryoo, 45.

China could cooperate with the UNHCR and relevant NGOs to better manage the situation. China could also consult with ROK and other interested parties to help create a condition in North Korea conducive for the return of the refugees.

C. Providing for Basic Needs

LACK OF BASIC GOODS AND SERVICES

Another problem of regime disintegration is the failure of institutions to provide food and services. If people cannot get basic goods and services, the likelihood of migration increases. The search for food and other basic needs could exacerbate the social order problem in the short term. Discontent arising from the scarcity of food and services could pose a long term problem for the legitimacy of the new or transitional governing entity, whether it be the South Korean government, an international institution, or some blend of these and local entities.

BASIC SERVICES PROVISION

North Koreans are no strangers to shortages of food and other basic needs. In addition to food scarcity and famine, the lack of electricity is constant and unmistakable as depicted by the satellite imagery in Figure 3 showing the unlit upper half and the brightly lit lower half of the Korean Peninsula.

Chronic shortages of heating materials have left the mountains bare of trees, as people cut them down for fire wood, exchange them for food, or use the forest land to grow food. Deforestation considerably intensifies susceptibility to flood damage. After a catastrophic event, a shortage of water, especially potable water, would be a major

problem. If governing institutions cannot deliver water, NGOs or international institutions may need to step in until local capacity is developed.

Figure 3

Korea at Night: Dark North Korea, Bright South Korea



Source: globalsecurity.org

Health care is another basic need. Dr. Norbert Vollertsen, an NGO volunteer, reports a need for medicine and medical supplies throughout North Korea. For example, he witnessed a thirty-minute surgery with a rusty knife performed on an emaciated

teenager without anesthesia.²⁵⁶ The hospital lacked medical supplies, such as antiseptic cleanser, and basic amenities, such as soap, running water, and light.

When there is low local capacity to provide for basic needs, assistance from donor countries, international institutions, or NGOs could fill the gap. Eventually, a functioning local capacity will be needed. Measures to provide basic services and build governing institutional capabilities, especially at the local level, would help mitigate shortages while providing people with an incentive to stay and to rebuild their lives. After reviewing NGOs' effectiveness in creating civil society, Mendelson and Glenn suggest that the best strategy is to integrate concrete projects with an inclusive decision making process. The integrative approach builds local community and civil society, increasing participation and strengthening local capacity.²⁵⁷

The public will need to be informed that efforts to provide for basic needs are underway, and how to access those goods and services. Again, announcements via radio or loud speakers may be necessary.

D. Migration

If one person in each North Korean household were to move South Korea after reunification, more than three million people would migrate.²⁵⁸ An immediate headlong rush from North Korea, as well as migration over the longer term, is a major concern for

²⁵⁶ Norbert Vollertsen, *Michin Goseseo Ssuen Ilgi (Diary of a Mad Place)* (Seoul: Jogwang Chulpahn Insoe Jushik Hoesa, 2001), 33-34.

²⁵⁷ Sarah E. Mendelson and John K. Glenn, eds., *The Power and Limits of NGOs: A Critical Look at Building Democracy in Eastern Europe and Eurasia* (New York: Columbia University Press, 2002), 208.

²⁵⁸ Jeong-ju Na, "3 Million NK Refugees Expected in Crisis: BOK," *The Korea Times*, January 26 2007, <http://times.hankooki.com/1page/200701/kt2007012618090610160.htm>.

South Korea and China. The Germans experienced mass exodus from east to west when the Berlin Wall fell and other borders opened.

Indeed, three million may prove an underestimate. Already, the number of North Koreans defecting to South Korea has increased dramatically, to almost 17,000 by August 2009.²⁵⁹ According to the U.S. State Department's 2005 assessment, North Korean refugees in China number between 10,000 and 30,000; some NGOs estimate as many as 300,000.²⁶⁰ The numbers are difficult to come by because refugees in China hide to avoid forced repatriation to North Korea where they would face imprisonment, torture, or execution, or if women, sold as brides or sex-slaves.²⁶¹ In May 2009, the Pyongyang regime gave orders that no North Korean resident may flee the country. They began harsher crackdowns, sending arrested defectors to concentration camps, where they are subject to lengthy forced labor and routine torture.²⁶²

SHORT TERM MIGRATION

If there were a complete breakdown of institutions and public order, North Koreans would likely migrate en masse, primarily to China and South Korea, but also to Russia and Japan. Those crossing into China, Russia, and Japan would be considered refugees. North Koreans crossing into South Korea would not be categorized as refugees, but as internally displaced persons.

²⁵⁹ "Over 2,800 N. Korean defectors come to South in 2008."

²⁶⁰ "2005 Annual Report," Congressional-Executive Commission on China, October 11, 2006, 114.

²⁶¹ *L.I.N.K. (Liberty in North Korea)* (DoSomething.org, March 22, 2008 December 2, 2009)]; available from <http://www.dosomething.org/project/link-liberty-north-korea>.

²⁶² "N. Korea in Brutal Crackdown on Defectors," *Chosun Ilbo*, September 1, 2009, http://english.chosun.com/site/data/html_dir/2009/09/01/2009090100232.html.

Initially, most North Korea emigrants may seek refuge in China because the border to the south is heavily mined and dangerous. The 850 mile-long border between North Korea and China is relatively easy to cross and Korean-Chinese communities are found in the Yanbian Korean-Chinese autonomous district and the three Northeast states of Liaoning-sheng, Jilin-sheng, and Heilongjiang-sheng.²⁶³ China fears mass refugee movement into China, and the People's Liberation Army (PLA) and the People's Armed Police (PAP) reportedly have plans to block the refugees.²⁶⁴ China employs the PLA and PAP for natural disasters. These forces are not trained to deal with a large number of refugees, and if they were to develop such capabilities, it would likely be "rudimentary and even cruel" by world standards.²⁶⁵ China may want to avoid intervention by international agencies and NGOs, but this would likely prolong and exacerbate the problem. Mismanagement of the refugees could damage China's international reputation. Therefore, permitting organizations like the UNHCR and others specialized in handling refugees to operate on its borders would help to alleviate the human crisis and to stabilize the region, as well as enhancing China's global image.

North Koreans would also want to go to South Korea. The heavily-mined demilitarized zone between South Korea and North Korea would make crossing south difficult, although there are roads linking both sides on the east and west corridors. With failed command and control, the action of the soldiers on the northern border would be unpredictable. Crossing the border anywhere other than the two roads, therefore, would

²⁶³ Jack Rendler, "The Last Worst Place on Earth: Human Rights in North Korea," in *Planning for A Peaceful Korea*, ed. Henry D. Sokolski, Carlisle, Strategic Studies Institute, U.S. Army War College, February 2001, 119.

²⁶⁴ McVadon, "China's Goals and Strategies for the Korean Peninsula," 140.

²⁶⁵ McVadon, 141.

be dangerous. The South Korean government would also need to give clear instructions to their military on the border. While some may argue that the North-South border mines control migration, they would eventually need to be removed for Korea to unify. Mine removal is time-consuming, but demining must be part of the plan.

An overall plan is needed to manage the immediate mass migration. The South Korean government would need to devise a plan to manage the situation, perhaps with the help of NGOs and families. North Koreans migrating to South Korea are likely to search for families and relatives separated during the Korean War.

MEDIUM TO LONG TERM MIGRATION

Even if security concerns are addressed and basic needs are met, the incentive to migrate will persist as long as income and social inequalities exist. In the medium to long term, North Koreans would no doubt be lured south by economic and social conditions. Even the peaceful and gradual unification scenario, which assumes longer preparation time before unification, does not address this problem well.

South Koreans are mindful of the destabilizing potential of mass migration. They may face a lack of public services and competition for their children's education. The differences in psycho-social norms would pose a significant challenge to the social fabric. Unemployment and inflation would rise. Traffic and pollution would get worse. Housing would be inadequate in an already competitive market. The transfer of South Korea's national income to finance the unification would decrease the living standards for South Koreans.

Migration can be halted or slowed by physical, motivational, and structural means. The physical would be a physical barrier that prevents people from moving.

Some have argued for temporarily retaining border control, including maintaining the demilitarized zone. This option may have some South Korean support, but enforcement would be difficult, and human rights concerns may arise. The North-South border issue may also become caught up in the same nationalistic euphoria seen in Germany. An alternative approach to migration control that focuses on motivation would involve creating incentives for North Koreans to stay in place. In North Korea, housing currently belongs to the state; giving North Koreans home ownership might enhance their desire to stay where they reside. (Land reform and redistribution is a different issue, because South Korean families may have historical land claims in the north that complicate matters.)

Job creation is a key structural factor in ameliorating migration. After many former communist states opened their economies, industries suffered from productivity loss due to inefficiency and reforms, which increased unemployment and underemployment. Public infrastructure is a sector that can absorb numerous unemployed people, and North Korea's infrastructure needs are enormous. They lack adequate roads, railroads, communications infrastructure, energy grids, water delivery systems, and other networks. The sheer size of these projects means this sector could provide jobs for many North Koreans, including those demobilized from North's 1.2 million-man military. Infrastructure projects would also attract businesses, which can spur additional employment, and enterprises can relocate to take advantage of low labor costs in northern Korea.

EDUCATION AND RETRAINING

In a socialist system, people expect the government to provide practically all goods and services. For North Koreans, who have no exposure to a capitalist system, education in market systems and skills training for future employment are crucial. Implementation should be immediate. If it takes too long, people may become disillusioned and decide to leave, creating additional problems.

E. Infrastructure

For an economy to develop and function, public infrastructure is a prerequisite. A major disincentive for investment in eastern Germany after unification was its poor infrastructure, especially transportation and telecommunications networks.²⁶⁶ The decrepit North Korean infrastructure hinders economic development. Building the infrastructure would require significant investment from private sources and multilateral development institutions. Building such infrastructure should be a priority to attract investments.

An important infrastructure project is the railway and gas pipeline that will connect southern Korea and Russia through northern Korea. South Korea and Russia recently concluded an agreement on linking the railway and pipeline through South Korea and Russia. This grand project will connect the Korean Peninsula and Siberia via the Trans-Siberian Railroad (TSR), eventually enabling Korean goods to be transported to Europe via the rail. The missing link is in North Korea. South Korea and North Korea have agreed to connect the railway along the east coast, which could then be connected to

²⁶⁶ Noland, *Avoiding the Apocalypse*, 293.

the TSR, but it has not yet been implemented. The North Korean military views the rail linkage as a potential security threat. After unification, this project would undoubtedly be one of the major infrastructure projects.

Such engineering activities will also have the benefit of creating construction jobs. The infrastructure needs of North Korea are vast, so this sector can absorb a large portion of the unemployed, especially from a military demobilization, as it is unlikely that North Korea's million-man army would be maintained or could be sustained.

F. Unemployment (Medium to Long Term)

The greatest challenge for eastern Germany was reducing unemployment, especially due to migration of young people.²⁶⁷ The east had an unemployment rate twice that of the west 15 years after German unification. In addition to youth migration, unemployment resulted from the outmoded and overstaffed industry that could not contend in a more competitive atmosphere. The 1:1 currency exchange rate equalized the wage structure between eastern and western Germany, but it exacerbated the unemployment problem in the east. With that exchange rate, the east could not offer lower wages to attract investment. Inadequate infrastructure further hindered investment into the region.

Dealing with the anticipated high unemployment will be critical to preventing mass migration and developing the economy. In a socialist economy, underemployment from working in unproductive state-owned enterprises (SOEs) is already a problem. The SOEs would be unsustainable in a collapsed system and the likely change to a capitalist

system. Without the SOEs, formerly employed and underemployed people would become unemployed along with soldiers released from North Korea's huge military. A more positive way to view this issue is that North Korea would have an abundant supply of literate, low-cost, and disciplined workers that would attract investors and could even trigger a growth spurt.²⁶⁸

The privatization of northern industries should be carefully planned and phased to avoid sudden and massive layoffs, especially if workers have no alternative employment prospects. On the other hand, privatization that is too slow could also hamper development; without privatization, investment may be hindered. At the microeconomic level, investment introduces new market-competitive products and processes. At the macroeconomic level, investment based on market principles rather than central resource allocation would be the means for sectoral and regional economic restructuring.²⁶⁹

In addition to privatization, currency conversion and exchange rate determination need careful consideration. Helmut Schmidt, the Chancellor of the former West Germany, emphasizes the importance of choosing the right exchange rate after unification, implying that setting a too-favorable exchange rate for the North in an attempt to reach immediate wage parity could discourage investment and exacerbate unemployment.²⁷⁰ The speed of monetary integration also requires cautious deliberation. Once initiated, monetary integration is practically irreversible due to political problems.

²⁶⁷ Bernd Grässler, "Germany's Slow Economic Reunification: Some believe it will take another 15 years to reach economic parity," *Deutsche Welle* (September 29, 2005).

²⁶⁸ Goohoon Kwon, "A Unified Korea? Reassessing North Korea Risks (Part I)," in *Global Economic Paper No. 188*, New York, Goldman Sachs, September 21, 2009, 9.

²⁶⁹ Noland, *Avoiding the Apocalypse*, 291.

²⁷⁰ Helmut Schmidt, *Chairman's Report on the High-level Expert Group Meeting: The Lessons of the German Unification Process for Korea* (Paris: InterAction Council, 17-18 February 1993), 9.

Delaying the currency union may be preferable to early integration.²⁷¹ One possibility is to free float both currencies until stabilization policies are in place in northern Korea, at which time both sides could enter into a band of exchange rate.

Another option is to peg the value of northern currency to southern currency in the beginning, and introduce a new common currency when more favorable macroeconomic conditions are achieved. Delaying monetary integration can provide time to prepare for smoother transition.

G. Social Integration

Assimilation of North Koreans into the South Korean society would be especially challenging. Northerners have lived in a completely different system for over half a century—three generations. The adjustment problems the North Korean defectors face in South Korea offer a glimpse of the social integration challenges after unification.

DEFECTORS IN SOUTH KOREA

When defectors first arrive in South Korea after a harrowing journey, they feel confident about their future. After all, they speak the same language and share much of the same history. Upon arriving in South Korea, defectors receive two months of social adjustment training, counseling, and medical care at the Ministry of Unification's *Hanawon* (House of Unity) to help them prepare for life in capitalist South Korea. The government provides additional support through provisions of the 1997 Act on the Protection and Resettlement Support for the Residents Who Escaped from North Korea.

²⁷¹ Goohoon Kwon, "Experience with Monetary Integration and Lessons for Korean Unification," in *IMF Working Paper*, Washington, DC, International Monetary Fund, May 1997, 8.

Under this law, each North Korean adult receives about \$36,000, of which about \$7,400 is for a down payment toward a permanent apartment.²⁷²

Despite the support, however, they find it difficult to adjust their lives in Korea. After a while, they realize that six decades of division have created two entirely different cultures and systems. They find the language difficult to understand. South Koreans use a large number of English words, and terms such as *budongsan* (real estate) and *boheom* (insurance), ubiquitous in capitalist societies, are foreign to North Koreans.²⁷³ They also lack experience and knowledge of computers and other elements of modern capitalist society, which make their work lives challenging. At social gatherings after work, which are frequent in South Korea, they feel out of place. North Koreans also suffer from guilt about the families they left behind. They worry about the political consequences for their families, as North Korea treats defection as treason and can punish families accordingly.

Defectors also face prejudice from some South Koreans who perceive them as socialists who are dependent, passive, lazy, and selfish.²⁷⁴ Other South Koreans are simply too busy and focused on their own lives to show much interest. *Crossing*, a poignant movie released in 2008 about a North Korean defector and his efforts to bring his adolescent son out of North Korea, quickly moved out of the box office in South Korea despite the star cast and great reviews. While there may be other reasons for the unpopularity, it does raise questions about South Korean attitudes toward their Northern brethren and the issue of unification in general.

²⁷² Byung-ho Chung, "Between Defector and Migrant: Identities and Strategies of North Koreans in South Korea," *Korean Studies* 32 (2008): 10.

²⁷³ Chung, 16.

²⁷⁴ Jae-jean Shu, "North Korean Defectors: Their Adaptation and Resettlement," *East Asian Review* 14, no. 3 (Autumn 2002): 81.

The current challenges faced by defectors are likely to be as great or greater for those who migrate south if North Korea collapses.

EDUCATION

South Korea should be preparing for an eventual merger. The difficult route to social integration faced by defectors highlights the need to educate South Koreans to show empathy and be more accommodating to North Koreans. Otherwise, the social division could contribute to discontent, leading to serious social problems and fractures. Educational institutions are a powerful way to inculcate basic facts and values into the next generation, affecting their attitudes and behavior. Since it takes a generation, schools should start now to prepare the society for social integration and dealing with the issues faced by the defectors. Post-unification, the major tasks for Korea's education system include providing North Koreans with "truth regarding capitalism, communism, democracy, and history, especially with respect to the former Republic of Korea and DPRK, the United States, and the range of international issues regarding North Korea."²⁷⁵ North Koreans would need to unlearn the myth of the Kim family and the idea that Kim Il-sung is immortal. Education should attempt to reverse the decades of damage inflicted on North Koreans regarding the exercise of initiative. Since the traditional South Korean education system would not include the older generation, one suggestion is to maintain the KWP practice of continuing education in the short term to develop individual skills and inspire constructive behavioral changes.²⁷⁶

²⁷⁵ Paul F. Chamberlain, "Cultural Dimensions of Korean Reunification: Building a Unified Society," *International Journal on World Peace* XXI, no. 3 (September 3, 2004): 18.

²⁷⁶ Chamberlain, 19.

H. Economic Development

UNIFICATION COST

South Koreans fear the huge economic cost that has become synonymous with unification. Many South Koreans are not willing to assume the burden if it requires a huge sacrifice in their living standards. The unification cost estimates are in hundreds of billions to trillions of dollars, depending on the calculation model used. Calculations by Noland *et al.* show much lower estimates, even suggesting a net benefit of \$541 billion in comparison to no unification.²⁷⁷ However, this model assumes years of integration between South and North Korea, which reduces the income gap between the two Koreas. Wolf and Akarmov estimate \$50 billion to \$667 billion, taking into account savings from downsized North Korean military.²⁷⁸ They claim that since North Korea's military expenditure is about 20 to 30 percent of its GDP, downsizing its military would yield savings. They also assume geography and physical barriers would restrict population movement. Yet the latest estimates place the cost much higher. Peter Beck of the Shorenstein Center calculates that increasing the North's income level to 80 percent of the South's would require \$2 trillion to \$5 trillion over 30 years.²⁷⁹ Such a wide range of estimates reflect the difficulty of measuring the actual cost. The longer it takes to unify, the greater the gap between the South and North will become, as South Korea's economy

²⁷⁷ Noland, *Avoiding the Apocalypse*, 308.

²⁷⁸ Wolf and Akramov, *North Korean Paradoxes: Circumstances, Costs, and Consequences of Korean Unification*, 39.

²⁷⁹ Beck, "Contemplating Korean Reunification," <http://online.wsj.com/article/SB10001424052748704340304574635180086832934.html>.

currently grows at a faster rate than the North's. It is clear, however, that the unification will require significant amounts of resources and planning.

NORTH'S LABOR

While unification costs would be considerable, a unified Korea could produce a synergistic effect on the economy. South Korea's high wages encourage its companies to seek cheaper labor elsewhere, such as China. North Korea's labor cost at the Gaesong Industrial Complex is about \$75 per month, half that of China. By the time North Korean authorities take deductions, a worker takes home about \$25 to \$35, still much more than the average North Korean monthly salary outside the industrial park of \$2 per month.²⁸⁰ North Korea offers low cost labor as well as an educated and disciplined work force, which is appealing to potential investors. Furthermore, North Korea has a younger population than South Korea, with 21.3 percent under the age of 15 compared to 16.8 percent in South Korea.²⁸¹ The higher percentage of youth means that retraining to adjust to the market system and new society would be handled through the conventional education system of elementary, middle, and high schools, rather than by specialized retraining geared towards the elder population, although retraining for this group would be important as well. North Korea's population growth rate of 0.42 percent is higher than South Korea's 0.27 percent growth rate.²⁸² The North Korean labor force, therefore, will grow at a faster pace.

²⁸⁰ Andrei Lankov, "Gaesong Industrial Complex Faces Serious Threat," *The Korea Times*, May 15, 2009, http://www.koreatimes.co.kr/www/news/nation/2009/10/120_44994.html.

²⁸¹ "CIA World Factbook."

²⁸² "CIA World Factbook."

NORTH'S MINERAL WEALTH

Table 13

Mineral Wealth Comparison: North Korea and South Korea

Mineral	Unit	North	Korea	South	Korea
		Reserves	Value (S. Korean Won, trillion)	Reserves	Import (%)
Magnesite	bn ton	6	1,376	-	100
Limestone	bn ton	100	996	10	1
Uranium ore	000 ton	4,000	628	-	100
Lignite	bn ton	16	343	-	100
Anthracite coal	bn ton	4.5	257	1.4	65
Iron	bn ton	5	214	0.02	99
Gold	000 ton	2	45.3	0.04	93
Zinc	000 ton	21,000	12.6	588	100
Lead	000 ton	10,600	9.12	404	100
Copper	000 ton	2,900	5.41	56	100
Silver	000 ton	3-5	1.86	1.58	95
Molybdenum	000 ton	54	1.13	22	99
Rosette graphite	000 ton	2,000	0.75	121	100
Tungsten trioxide	000 ton	246	0.39	127	89
Barite	000 ton	2,100	0.22	842	100
Fluorspar	000 ton	500	0.08	477	100
Talcum	000 ton	700	0.06	8,152	92
Kaolinite	000 ton	2,000	0.03	106,335	11
Manganese	000 ton	100-300	0.01	176	100
Nickel	000 ton	10-20	0.00	-	100
Asbestos	000 ton	13	0.00	511	-

Note: South Korean Reserves are the sum of confirmed and estimated reserves (2007)
North Korean data are potential reserves only; bn: billion

Source: Goldman Sachs

Another area of synergy is in the raw materials sector. Unlike resource-poor South Korea, which must import most of its mineral needs, North Korea is rich in raw materials with potential magnesite, uranium, and coal deposits valued at 140 times North

Korea's 2008 GDP.²⁸³ North Korea also has large quantities of strategic minerals, including those necessary for steel production.²⁸⁴ A unified Korea would have a greater diversity of mineral sources for consumption and growth.

In fact, a recent Goldman Sachs study cites these synergistic effects and the combined population of over 70 million in predicting that a unified Korea's GDP would surpass that of France, Germany, and possibly Japan in 30 to 40 years.²⁸⁵ The study assumes gradual and peaceful integration of the two economies, rendering the forecast far less likely in a collapsed case. Nonetheless, the synergistic effect of combining the strengths of both sides deserves serious attention.

The need for a comprehensive rebuilding of the industrial base can yield unforeseen benefits. Reconstruction can form the basis for continued economic growth by reducing production costs, encouraging work force skills, and significantly increasing productivity.²⁸⁶ While South Korea is cautious about the unification cost, the benefits to Korea as a whole, at least economically, could be substantial.

I. Special Economic Zones

Another option is developing economic pockets, like the GIC and Mount Geumgang tourism area, that can sustain themselves with jobs, their own housing, and other services.

²⁸³ Kwon, "A Unified Korea? Reassessing North Korea Risks (Part I)," 10.

²⁸⁴ Kwon, 10.

²⁸⁵ Kwon, 1.

²⁸⁶ Eberstadt, "Hastening Korean Reunification," 83.

Other possible areas are the special economic zones of Najin-Sonbong located in northeast North Korea bordering Russia and China.²⁸⁷ This zone was to reap the benefits of the United Nations' Tumen River Area Development Program (TRADP), but the development suffered from poor infrastructure, bureaucracy, and an uncertain investment environment.

Figure 4

Special Economic Zone (SEZ) and Special Administrative Region (SAR) In North Korea



Source: Korea Broadcasting Service, http://world.kbs.co.kr/english/event/nkorea_nuclear/general_02e.htm

The government attempted to build a Special Administrative Region (SAR) in Sinuiju in the northwest region close to the border with China.²⁸⁸ Before it could get started, however, the designated governor of the zone, Yang Bin, a Dutch-Chinese tycoon, was arrested by the Chinese authorities for tax evasion while on the way to North

²⁸⁷ *Country Profile: North Korea*, (Washington, DC: Library of Congress, July 2007), 11.

²⁸⁸ "Sinuiju Designated As H.K.-Type Special Zone: First Market Economy Experience in DPRK," *The People's Korea*, September 28, 2002, http://www1.korea-np.co.jp/pk/184th_issue/2002092802.htm.

Korea.²⁸⁹ China was widely believed to have disapproved his appointment. After a collapse, China could help develop these regions. Development of the special zones could also benefit Northeast China, a region that is currently underdeveloped.

The development of economic zones would ease the pressure in China and South Korea as the people would be more likely to migrate within the northern peninsula. Some suggest declaring all of North Korea a “special zone” and developing the north in three to four years to increase the standard of living in North Korea more rapidly.²⁹⁰

J. Development Funds and Investment

How will the reunification cost be financed? This is an absolutely crucial question. Korea will have to consider various sources, domestic and foreign. Domestic funding sources are government surplus, tariffs, and new taxes. The government budget surplus is realistic only if there are more revenues than expenses. Even if this were the case, the surplus would be only a tiny fraction of requirements. Another source of revenue is new taxes. They could be corporate taxes, income taxes, value-added taxes, or a myriad of other possibilities. Careful balancing is required since overtaxing could discourage corporate investment and public savings accumulation, which are also necessary for developing the northern half of the peninsula.

An additional factor is the role of foreign capital. Many South Koreans assume that South Korea will bear all of the unification costs. South Korea has developed while receiving loans, grants, and foreign investments from abroad. The same concept could

²⁸⁹ Henry Chu, "China Snarls North Korean Reform," *Los Angeles Times*, October 5, 2002, <http://articles.latimes.com/2002/oct/05/world/fg-yang5>.

²⁹⁰ Young-sub Shin, *Nambukhan Gyungje Tonghab-ui Sungyul Gwaje (The Process of South Korea-North Korea Economic Union)* (Seoul: Joongang Media Books, 1998), 21.

apply to North Korea. International sources of investment and development funds include Japan, the U.S., and international financial institutions such as the World Bank and the Asian Development Bank. The South Korean government's role would be to quickly establish an environment conducive to foreign direct investment and aid. Infrastructure development would be critical. In addition, the law should encourage foreign direct investment.

Japan's capital would be crucial for financing Korea's unification cost. In 1965 when South Korea normalized relations with Japan, Japan provided \$800 million in grants and concessional loans to South Korea.²⁹¹ A similar financial package, adjusted for inflation, is expected; the amount was estimated to be around \$5 to \$10 billion in 2004.²⁹² The anticipated large Japanese contribution is seen a way for Japan to rectify its history of harsh colonial rule and its link to the division of Korea.²⁹³ Japan also views stability on the peninsula as important. Korea, however, should not rely solely on wartime guilt to prod Japan into providing financing. Korea should make efforts to develop warmer ties with Japan. Economic reconstruction of northern Korea is a realistic way to decrease instability on the peninsula, which is a constant concern for Japan as well as all the powers involved.

The U.S. could provide significant support for reunification and development. Both the public and private sectors could provide assistance and capital to Korea. The U.S. is also the key to approving or expediting IFI financial packages. Furthermore,

²⁹¹ Bradley O. Babson, "Designing Public Sector Capital Mobilization Strategies for the DPRK," in *A New International Engagement Framework for North Korea? Contending Perspectives*, ed. Nicholas Eberstadt and Young-sun Lee (Washington, DC: Korea Economic Institute of America, 2004), 244.

²⁹² Babson, 244.

investors value stability and the commitment to stability. The U.S. and the ROK-U.S. alliance would provide stability, and the commitment of the U.S. could help attract further foreign direct investment.

The support of the U.S. will be essential. During the U.S.-Soviet rivalry, South Korea was a strong U.S. ally on the frontier of the Cold War. As a result, from 1945 to 1983, the U.S. provided \$13.8 billion in assistance to South Korea, much of it in grants and concessional loans, with a large portion as military assistance.²⁹⁴ The World Bank and the Asian Development Bank (ADB), IFIs with strong U.S. influence, provided \$5.3 billion (1945 to 1984) and \$1.4 billion (1945 to 1981), respectively.²⁹⁵ In the mid-1980s, South Korea was the third largest recipient of U.S. assistance on a per capita basis after Israel and Vietnam.²⁹⁶ After the jump start growth in the late 1970s and early 1980s, South Korea advanced economically, politically, and militarily, and remains a staunch ally of the U.S. Given the impact of unification on Northeast Asian stability and its interest in the region, the U.S. would play a significant role, including using its influence on the IFIs to provide financing for the reunification.

K. Reforestation and Flood Mitigation

It takes a generation to restore trees to the mountains. Deforestation has been a problem in both Koreas. Trees were destroyed during the war and logged for construction and industrialization. In recent times in North Korea, trees have been cut for

²⁹³ Tadashi Kimiya, *Economic Assistance to North Korea: A Positive Engagement as the Road to Stability* (2001 November 23, 2009)]; available from http://www.asahi.com/english/asianet/report/eng_2001_05.html.

²⁹⁴ David I. Steinberg, "Foreign Aid and the Development of the Republic of Korea: The Effectiveness of Concessional Assistance," Washington, DC, U.S. Agency for International Development, 1985, 4.

²⁹⁵ Steinberg, 4.

firewood to heat homes or trade for food, and not replaced. A major consequence of deforestation is damage from floods, which occur annually during the monsoon season. Directly, floods destroy dwellings and cause deaths. Indirectly, floods reduce food supplies by damaging crops. Along with North Korean government policy, floods contributed to the famine in the mid-1990s. As long as the mountains are barren, the cycle repeats, compounding the problems of flood damage and food shortages.

During heavy rains and floods, the contrast between North and South Korea is stark. South Korea is about two-thirds mountainous. While South Korea also has flood problems, the damage is not nearly as severe as in North Korea. South Korea could have suffered worse damage if it did not have a nationwide reforestation project. South Korea began a massive reforestation campaign under President Park Chung-hee in the 1970s. The effort relied on neighborhood cooperatives, enlisting hundreds of thousands of volunteers who planted 11 billion trees by 2008.²⁹⁷ Three decades after the project began, South Korea's once barren mountains are lush with trees that control erosion and flood damage while providing hundreds of national parks for recreation and contributing to a greener environment.

Reforesting North Korea's mountains would yield similar benefits. Further, lumber could be another commodity to help North Korea's development. One of Lee Myung-bak's campaign pledges was to help North Korea reforest its mountains. The Blue House spokesperson stated South Korea would send seedlings to North Korea, although the details are yet unclear. Lee's main argument was business. Once the Kyoto

²⁹⁶ Steinberg, 5.

²⁹⁷ Mohit Joshi, "South Korea looks to reforest North Korea, South-East Asia," *TopNews.in*, August 13, 2009, <http://www.topnews.in/south-korea-looks-reforest-north-korea-southeast-asia-2201245>.

Protocol takes effect, South Korean companies can buy the right to emit carbon dioxide from North Korea.²⁹⁸ Yet another potential advantage is jobs creation. As with infrastructure projects, a massive reforestation project could absorb many of the unemployed.

L. Developing the DMZ

The heavily armed and mined demilitarized zone bisecting the Korean Peninsula has been useful for maintaining the armistice that halted the armed conflict in 1953 by separating the two contesting sides. There have been skirmishes and serious incidents, such as when North Korean troops killed two U.S. Army officers in the 1970s axe incident. For the most part, however, the DMZ sees little human activity and has become rich with flora and fauna, including over 1,100 plant species, 500 mammal species, hundreds of bird species, and 80 fish species.²⁹⁹ Wildlife thrives in the area, especially endangered species. Red-crowned cranes, ring-tailed pheasants and Siberian tigers have been spotted there.³⁰⁰ Discussions are taking place to convert this zone into a “peace park” to preserve its substantial biodiversity and transform it into a symbol of peace and unity. This effort assumes there would be no armed conflict on the peninsula that would destroy the DMZ area. Preserving the DMZ as a natural habitat for wildlife may not take top priority after North Korea’s collapse, as there would be more urgent needs. However, the biodiverse DMZ is a treasure. Neglecting it at the beginning could have lasting

²⁹⁸ Yon-se Kim, "S. Korea to Help N. Korea Plant More Trees," *Korea Times*, March 5, 2008, http://www.koreatimes.co.kr/www/news/nation/2008/03/116_20185.html.

²⁹⁹ *About the DMZ Forum* (The DMZ Forum for Peace and Nature Conservation, October 5, 2009)]; available from http://www.dmzforum.org/aboutus/about_dmzforum.php.

³⁰⁰ Robert Willoughby, *North Korea: The Bradt Travel Guide* (Bucks: Bradt Travel Guide, Ltd., 2003), p. 142.

consequences not only for the endangered species, but for national development as well. Korea does not top the list of destinations in Asia for foreign visitors when there are other options for tourists such as China, Japan, and Thailand. The bio-rich DMZ could provide eco-tourism opportunities that could help with economic development and create employment while preserving the environment.

In summary, the collapse of North Korea would present a number of serious challenges to both the people on the peninsula and the major powers with interests in the area. This chapter describes the most serious and predictable problems that might arise, given the current situation in North Korea. While some of these challenges are likely to play out over the medium and long term, others would emerge immediately and require a quick response from South Korea and the international community to minimize human suffering and forestall further problems and disorder.

CHAPTER 7: SUMMARY

North Korea displays the characteristics of a failed state. Kim Jong-il's insistence on *Juche* and *Seon-goon*, with the ultimate aim of regime survival rather than providing basic needs to its people, has led to failed economic system with disastrous and tragic results. A million people died from starvation in mid-1990s.³⁰¹ Tens of thousands, perhaps hundreds of thousands, have left North Korea for China in search of food and a better life.³⁰² Their hopes are often shattered as they are sold into human trafficking or deported back to North Korea, where they are marked as traitors for crossing the border and face harsh punishment or death. Yet the government insists on *Juche* and *Seon-goon*. Its reliance on Chinese and South Korean aid makes the regime's insistence on *Juche* ideology incongruent with reality. The *Seon-goon* policy directs resources away from basic human needs toward the military and weapons development. Even with acute food and energy shortages, Pyongyang has conducted nuclear and missiles tests, placing higher priority on nuclear weapons and military capability.

Ironically, North Korea commands the world's attention for two reasons: nuclear weapons and food shortages. This paradox makes the situation on the peninsula uneasy. North Korea, hovering in an unsustainable posture, may soon receive global attention due to a contingency. The regime is unlikely to make the most important and profound changes necessary for stability—implementing substantive reform and opening up the

³⁰¹ Haggard and Noland, *Famine in North Korea: Markets, Aid, and Reform*, 1.

³⁰² The number ranges from 20,000 (Chinese government estimate) to 400,000 (NGO estimate). See Yoonok Chang, Stephan Haggard, and Marcus Noland, "Migration Experiences of North Korean Refugees:

economy—because such actions could invite new ideas that would challenge *Juche*, *Seon-goon*, and the regime itself.

A. Unification Scenarios

How would the two Koreas unify? The three scenarios discussed in this study give a glimpse of the range of possibilities. The gradual and peaceful “soft landing” version takes a long-term approach to unification. Many in South Korea, hoping to avoid instability and the high cost of unification, prefer this outcome.

The “hard landing” scenario is war and unification as a byproduct of war. Whether begun by a desperate North Korean regime or resulting from escalation of a misunderstanding or minor incursion, the initial stage would be devastating, but it is assumed that the ROK-U.S. combined military would eventually achieve victory resulting in unification under the South Korean government and system. As victors, South Korea and the U.S. would have a justified presence in North Korea, but China would be alarmed by the U.S. military presence. To prevent misunderstandings and conflict, there needs to be a mechanism for consultation.

The case that was particularly widely discussed after the German unification was the collapse and absorption scenario. In the early 1990s, many felt that North Korea too would collapse, and South Korea would absorb North Korea, German style. Although North Korea’s endurance is surprising, the possibility of North Korean regime collapse seems to grow with its unwillingness or inability to implement genuine changes fix its dysfunctional economy.

B. Collapse Indicators and Triggers

What, then, might lead North Korea to collapse? Chapter 4 explores six indicators and three triggers. The indicators are the economic system, external assistance, information, Kim Jong-il's health, the elites, and defectors. The triggers are succession, famine and migration, and mass opposition.

ECONOMIC SYSTEM

For the North Koreans, reform is necessary, but it carries the danger of destabilizing the regime. Reform opens doors to information flow, increasing the possibility of discontent among the populace when they discover the vast gap between reality and what they have been told by their government. Discontent could lead to the downfall of the regime as it loses support. North Korea has instituted reforms to introduce markets, but has also taken steps back when the government seemed to lose control. Since regime survival is the top priority, reform takes a back seat, which weakens the system. The balancing act is precarious and if the fulcrum moves a little too much in either direction, the brittle system could crack and the regime collapse.

EXTERNAL ASSISTANCE FOR SUSTENANCE

North Korea's weakness, ironically, affects its immediate neighbors' policies. Neither China nor South Korea wants to see North Korea collapse. Because the other states in the region have become more developed and rely on each other for their prosperity, they share a vested interest in the stability of the peninsula. This is especially

true of South Korea and China. Regime collapse would bring instability to the peninsula with people streaming across the borders into China and South Korea. To avert this possibility, China has been providing the majority of North Korea's fuel and food needs and encouraging North Korea to reform. Many in South Korea, sobered by the cost of German unification, also do not want North's collapse. During the past decade, Seoul has provided billions of dollars in food, fertilizer, and other assistance.

INFORMATION CONTROL

North Koreans live in the dark not only due to lack of energy, but also thanks to the firm control of information by the Pyongyang government. However, there are signs that information is leaking into North Korea. Increasing numbers of people travel to China for food and work. Many of them return with stories of life in China, which seems wealthy compared to North Korea, and of South Korea, which is even wealthier. Illegal DVDs of South Korean dramas are reportedly popular among North Koreans. The inter-Korean Mount Geumgang tourism and Gaesong Industrial Complex business projects deliver not only hard currency but also outside information to North Koreans.

KIM JONG-IL'S HEALTH

In summer 2008, Kim Jong-il's health became a much discussed topic. Reports of his ill health and his absence from important ceremonies heightened the debate about leadership succession in North Korea. Will there be a smooth transition or a power struggle? Will there be a loss of control and collapse? Kim's ill health does not automatically lead to a regime collapse, but it raises the prospect due to the highly unpredictable nature of succession in North Korea.

ELITES

One succession scenario envisions a power struggle. Is there a split among the elites, the military, party, and government officials who receive perquisites and pledge loyalty in return? Are they unified, or are there factions? During succession, would they support the designated successor or attempt to seize power? It would be imperative to define and identify the elites, categorize them into different groups and monitor their actions carefully during and after the succession. Knowledge of the various groups would provide helpful clues about the succession and the possibility of a collapse.

DEFECTORS

The North Korean defection rate has risen dramatically.³⁰³ More than 17,000 North Korean defectors arrived in South Korea, and the rate has been increasing year by year. As many as 400,000 North Koreans live in China, the destination country for most North Koreans due to relatively porous border.³⁰⁴ Defectors and refugees normally cross the North Korean-Chinese border and live there for years before departing for South Korea, often through a third country. Their lives do not seem to improve much in China as they fear being caught by the Chinese police and sent back to North Korea, where severe punishment awaits. Many women are sold into the sex industry or as brides in the country where the “one child” policy and a social preference for sons has skewed the male to female ratio. Despite these hardships, they continue to leave North Korea at an increasing rate. Defection is a reflection and an indicator of North Korea’s broken system.

³⁰³ "Tongil Baekseo 2005 (Unification White Paper 2005)," 171.

³⁰⁴ Ko, Chung, and Oh, "North Korean Defectors: Their Life and Well-being after Defection," 68.

The indicators show a trend reflecting the deteriorating situation that may lead North Korea to collapse. Certain events, such as succession, another famine, and mass opposition, may tip the scale and actually trigger a collapse.

C. The Roles of the Regional Powers

The Korean Peninsula is a pivotal junction in Northeast Asia where the interests of the world's major powers—the U.S., China, Japan, and Russia—converge. These powers are brought together for geopolitical reasons, and their interests have great influence on Korean affairs. Historically, all four major powers sought influence over the Korean Peninsula for geostrategic reasons. Korea has served as the invasion route from Mongolia to China to Japan, from Japan to China, and from Japan to Russia. Japan's colonization of Korea in 1910 and Korea's tributary relationship with China point are important factors in Korea's history. The Korean War of 1950-53 represented not only a contest between South and North Korea, but also between the U.S. and the Soviet Union as part of the Cold War.

NATIONAL INTERESTS

The U.S., China, Japan, and Russia consider the Korean Peninsula important to their strategic interests. South Korea gives the U.S. a strong democratic ally on the Asian mainland with a market economy tightly woven into the international system of trade and finance and linked to the U.S. through a security alliance. A united Korea that is nuclear weapons free, democratic, and capitalistic would serve the U.S. interest even better.

China prefers a friendly buffer state on its border. Beijing would view an unstable North Korea and the likely flood of cross-border migrants as a major concern.

China also fears any move for irredentism, as a sizeable number of ethnic Koreans already live on the border of North Korea. These concerns triggered a Chinese government funded study, the Northeast Asia Project, which concludes that the ancient Kingdom of Goguryeo, which Koreans claim as part of their identity, is part of China's history. This claim caused a serious backlash in South Korea and cooled relations between Seoul and Beijing.

Japan has unresolved historical and territorial issues with South Korea that prevent the development of stronger ties. Japan's concern over citizens abducted by North Korea is another issue not likely to be resolved soon. Japan would want a unified Korea that is nuclear free, friendly and open to Japan.

Russia has lost its influence in Northeast Asia, but would want to restore its lost status in the region and around the globe. Its vast energy reserves and the Trans Siberian Railway could become important for developing a unified Korea and linking it to European market.

REGIONAL COOPERATION

Sixty years after the division, the major powers' strategic considerations, including security, territorial sovereignty, and enhancing their regional power and influence, are still important. However, the region has changed considerably, with greater economic interactions that contribute to the prosperity of all the neighboring countries except North Korea. Furthermore, South Korea has changed dramatically. South Korea, backed by its U.S. ally, has become an advanced industrialized democracy with a strong military. Even the Soviet Union and China, traditional sponsors of North Korea, have established diplomatic relations South Korea. South Korea has also

demonstrated soft power through *Hallyu*, the Korea Wave of modern films and music popular throughout Asia.

If North Korea collapses, South Korea has the capability and the will to play a leading role in managing the aftermath and embarking on the developmental and integration process. However, South Korea will need support from neighboring countries and the international community. Developing coordination mechanisms would be crucial to avoid misunderstandings and focus development efforts. South Korea needs to plan and prepare for the collapse of the North, as it would greatly impact their national interests.

NUCLEAR WEAPONS AND REGIONAL RELATIONS

Concerns about nuclear weapons led to Six-party Talks on the denuclearization of North Korea among the U.S., China, Japan, Russia, South Korea, and North Korea. The Talks have made some progress since 2003, but there have been setbacks. Talks are currently stalled with efforts underway to bring North Korea back to negotiations. North Korea's nuclear weapons pose a threat to South Korea and Japan as North Korea has short-range delivery system; however, North Korea already possesses massive conventional weapons that can inflict severe damage. Thus, the main dangers of North Korea's nuclear weapons are proliferation and weapons security.

If North Korea's nuclear weapons fall into the hands of terrorists, it would pose a threat to the vital interests of the U.S. Additionally, Japan may feel the need to develop its own nuclear capability threatened if by nuclear-armed North Korea. China and South Korea would then feel threatened by Japan, and China might increase its nuclear arsenal while South Korea might want to develop its own nuclear weapons capability. To avert

such escalation, the denuclearization efforts for North Korea should continue. Immediately following a collapse, the priority should be to locate and safeguard nuclear weapons, materials, facilities, and personnel to prevent proliferation. The U.S., China, and South Korea could have prior consultation to minimize misunderstanding, especially if U.S. forces are involved, and to increase nuclear weapons safeguards, particularly against the possibility of weapons being smuggled across the China border.

D. Preparing for and Responding to Collapse

Chapter 4 expands the collapse scenarios presented in Chapter 2. A collapse would unleash numerous challenges. As the regime loses control, there would be chaos and anarchy. Food, oil, and other basic goods and services, already deficient, would become scarcer and could trigger mass migration into China or South Korea. Swept by the euphoria of unification, it is easy to imagine a throng of North Koreans crossing the border to the south. In the long term, more would likely want to move to the wealthier South as the gravitational pull of Seoul would be irresistible. Southward mass migration in search of a better life and higher wages could occur even after order is restored in the north. South Koreans are worried about the potential economic and social problems of such a huge migration.

CONTROL OF NUCLEAR WEAPONS

Accountability for nuclear weapons, materials, facilities, and specialists is weakest when authority is confused or lacking. South Korea or a combined team with the U.S. or international institutions should quickly account for and control these items and personnel. Consulting China beforehand is important to reduce the chance they might

misinterpret the role of U.S. military and to increase the effectiveness of securing nuclear weapons. After positive control, the authorities could work to reduce, destroy, or safeguard nuclear weapons and personnel through mechanisms like the Nunn-Lugar Cooperative Threat Reduction Program.³⁰⁵ The U.S. Congress has permitted the program to operate outside the former Soviet states through the Nunn-Lugar Expansion Act, providing a useful tool for dealing with the situation that might emerge in Korea.

DISORDER IN THE IMMEDIATE AFTERMATH OF COLLAPSE

Disorder would describe the scene immediately following collapse. North Korea's strict and hierarchical system of control would break down. In such a case, looting and increased crimes are concerns. The lawlessness and fear could also trigger a mass migration from North Korea. It is assumed that the South Korean government would play a significant role, but international institutions and NGOs could also provide support. Authority and order must be established and maintained.

PROVIDING FOR BASIC NEEDS

Along with quick restoration of order, basic goods and services must be quickly provided for. Lack of food and services could encourage mass migration and cause social problems. Again, the South Korean government, international community, and NGOs could provide these provisions initially, with the goal of establishing local capacity for the long-term.

³⁰⁵ *The Nunn-Lugar Scorecard: Destroying Weapons and Materials of Mass Destruction through Cooperation.*

MIGRATION

As stated above, the breakdown of order and the inability to provide for basic needs could trigger mass migration. In the initial stages of collapse, China could work with international organizations and NGOs to manage the refugee crisis and South Korea, working with NGOs and families, could focus on safe and managed border crossing.

In the medium- to long-term, creating opportunities and incentives in northern Korea will help address the migration problem. To encourage them to return home after migrating or to stay in place, longer term solutions are needed. Viable employment along with home and land ownership could encourage people to stay. It would take time to generate employment, but the conditions conducive in absorbing development aid and foreign investment must be created.

INFRASTRUCTURE

North Korea would need a major infrastructure development as a precondition for attracting additional investments. Additionally, these massive projects create jobs that could absorb those projected to join the ranks of the unemployed after military demobilization. Employment opportunities on infrastructure projects would also help mitigate migration.

UNEMPLOYMENT

Government policies on privatization and currency conversion could help reduce unemployment, but careful analysis and planning are required. In considering policy options, it is important to highlight labor competitiveness as a factor attracting direct

investments. Additional projects that could help develop North Korea while creating employment include reforestation and DMZ development.

SOCIAL INTEGRATION

Economic integration would be daunting, but social integration would be just as challenging, if not more so. North and South Koreans share a common ethnic heritage, language, and culture, raising expectations that northerners will adjust quickly to the South Korean way of life. The experience of defectors shows that this expectation is simplistic and unrealistic. Most of the 17,000 North Korean defectors resettled in South Korea have difficulty adjusting, their dream of a prosperous and fulfilling life shattered by the cultural, linguistic, political, and economic differences that have emerged in the six decades of division. Northerners do not understand pluralist democracy and competitive capitalism—even the concept of money—and are overwhelmed with massive amounts of information. Southerners' condescending attitude and discrimination exacerbate the situation. Defectors' difficulty adjusting to life in the South is a glimpse of future challenges of social integration between the two halves of the peninsula.

ECONOMIC DEVELOPMENT

The economic cost of unification is estimated at hundreds of billions of dollars. Shouldering the cost would be an immediate problem for South Korea. However, in the long-term, the synergy between southern and northern Korea could propel a unified Korea into one of the top economies in the world. South Korea has the capital and technology while North Korea has younger, low-cost labor force and significantly greater

amount of natural resources. The combination would enhance productivity and increase national wealth.

SPECIAL ECONOMIC ZONES

In addition to Gaesong Industrial Complex and Mount Geumgang, North Korea has other special economic zones, such as Najin-Sonbong in the border area with China and Russia. The development could focus on these zones to develop the areas, create employment, and help mitigate the mass migration problem.

DEVELOPMENT FUNDS

It is important to broaden the funding sources, as South Korean taxes and investments would not be enough. International financial institutions, with strong support from the U.S., could provide significant funding. Japan could provide a financial package similar to the one it gave South Korea after their relations were normalized. Financial resources could be directed to developing infrastructure and creating conditions to encourage further direct investment.

OTHER EFFORTS

North Korea chronically suffers from floods, which is exacerbated by cutting trees and leaving the mountains bare. Subsequent flooding affects the harvest, reducing the food supply. A major reforestation project would help mitigate the flood damages, while creating employment. Another opportunity is to develop the DMZ, taking advantage of flora and fauna unspoiled for nearly 60 years. Employment from a potential eco-tourism would also help with the development efforts.

E. Conclusion

The challenges of collapse and the accompanying unification will be colossal. They require commitment, planning, and cooperation among the affected parties, particularly South Korea, China, and the U.S. The regional powers should prepare for a North Korean collapse by developing plans to mitigate the negative consequences. A focus on short term strategic interests during the unification process could destabilize the region. Although the region is marked by disputes and rivalries, the regional powers could cooperate to promote successful unification, an outcome that will contribute to regional security and prosperity.

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