

A Trilateral Conference on
**“Toward a Regional Security Architecture
for Northeast Asia”**

Jeju Peace Institute, Jeju, Korea
August 6, 2010

Co-hosted by
East Asia Foundation
&
Korea-Pacific Program
at the University of California San Diego

Co-sponsored by
Office of the Jeju Special Self-Governing Province
Jeju National University
Jeju International Council
Pacific Century Institute
East Asia Institute
Jeju Peace Institute

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The purpose of the conference is to take stock of the current impasse on the peninsula and to assess if and how designs for a broader security architecture might help advance negotiations. These ideas include Four Party Talks and North-South talks with respect to a “peace regime” as well as a larger Six Party architecture (the Peace and Security Mechanism).

This conference is scheduled to correspond with the dedication of a Pacific Rim Park on Jeju on August 7th 2010. This park is designed and built by teams of students from around the Pacific Rim, and designed to foster greater awareness of common interests in the region.

< Schedule >

The objective of the meeting is to have a relatively open discussion, with either short papers or simply presentations. So, it will be conducted in a roundtable format.

August 5 (Thur) Arrival of participants

18:00-20:00 **Welcoming Dinner** hosted by the Jeju Peace Institute
(Venue: La Terrasse, The Suites Hotel)

Welcoming remark by HAN Tae Kyu (Jeju Peace Institute)

August 6 (Fri) Conference Day

(Venue: conference room, Jeju Peace Institute)

- 09:30-09:45 Registration
- 09:45-10:00 Opening remarks from hosting institutions
- GONG Ro-Myung (East Asia Foundation)
Stephan Haggard (UC San Diego Korea-Pacific Program)
- 10:00-12:00 **Panel 1. The Status of the Six Party Talk Process and Inter-Korean Relations: Korean Perspectives**
- Chair: GONG Ro-Myung (East Asia Foundation)
- Panelists: BAE Jong-Yun (Yonsei University)
 HAN Intaek (Jeju Peace Institute)
 JO Dongho (Ewha Womans University)
 LEE Geun (Seoul National University)
 OH Young-hwan (JoongAng Ilbo)
 WOO Jeong-Yeop (Asan Institute)
 YOU Jong-Sung (UC San Diego)
- 12:10-13:50 **Working Luncheon** hosted by president of the Jeju National University
- Welcoming Remark by HUH Hyangjin (President, JNU)
- Luncheon Speech:
“Regional Security Architecture for Northeast Asia: A view from R.O.K.”
by WON Hee-Ryong (Secretary General, Grand National Party; a member of
the National Assembly)
- 14:00-16:00 **Panel 2. The Status of the Six Party Talk Process: Chinese and American Perspectives**
- Chair: MOON Chung-in (Yonsei University)
- Panelists: Donald Gross (Albright Stonebridge Group)
 Stephan Haggard (UC San Diego)
 JIN Canrong (Renmin University)
 Spencer H. Kim (Pacific Century Institute)
 Gen. PAN Zhenqiang (China Reform Forum)
 T.J. Pempel (UC Berkeley)
- 16:00-16:30 **Coffee Break**
- 16:30-18:30 **Panel 3. The Way Forward: Four Party Talks, a Peace Regime, and the Regional Security Architecture**

Chair: Stephan Haggard (UC San Diego)

Participants: CHUN Chaesung (Seoul National University)

Donald Gross (Albright Stonebridge Group)

JIN Canrong (Renmin University)

KO Seong-Joon (Jeju National University)

MOON Chung-in (Yonsei University)

Gen. PAN Zhenqiang (China Reform Forum)

T.J. Pempel (UC Berkeley)

John Swenson-Wright (Cambridge University)

18:30-18:50 Move to ICC Jeju (5 minutes walking distance)

18:50-20:20 **Dinner** hosted by governor of the Jeju Special Self-Governing Province
(Venue: Grand Hall, The SEAES Hotel & Resort)

Welcoming remark by Gov. WOO Keun-Min

Dinner speech:

“Regional Security Architecture for Northeast Asia: An American view” by
U.S. Ambassador Kathleen Stephens

20:20-21:00 Informal Talk for the preparation of the International Advisory Council for
the Governor of Jeju Special Self-Governing Province

August 7 (Sat) Park Ceremony Day

10:00-12:00 A group walk, following a part of *Olle* course No.8 starting from the lobby
of the Hotel Hana (→Silla Hotel→Pacific Land→Seongcheon port→Jusang
Jeolli→Daepo port)

12:00-13:30 **Luncheon** hosted by the East Asia Foundation
(Venue: *Joongmun Deomjang* in Seoguipo)

14:00-15:00 All participants are invited to the dedication ceremony of the Pacific Rim
Park, which will take place at Daejeong-eup, Sangmo-ri.

15:00-18:00 Group tour to O’sulloc Green Tea Museum, Jeju Glass Castle,
and Spirited Garden

18:30-20:30 **Dinner** hosted by the Korea-Pacific Program, UCSD
(Venue: Spirited Garden)

August 8 (Sun) Departure Date

Session 1 (10:00 ~ 12:00, Aug 6th)



**“The Status of the Six Party Talk Process and
Inter-Korean Relations:
Korean Perspectives”**

Chair:

**GONG Ro-Myung
(East Asia Foundation)**

Panelists:

BAE Jong-Yun (Yonsei University)

HAN Intaek (Jeju Peace Institute)

JO Dongho (Ewha Womans University)

LEE Geun (Seoul National University)

OH Young-hwan (JoongAng Ilbo)

WOO Jeong-Yeop (Asan Institute)

YOU Jong-Sung (UC San Diego)

The Incremental Development of Inter-Korean Relations with Backward Movements

BAE Jong-Yun
Yonsei University

Since 2008, inter-Korean relation has been stagnated due to the regime change of South Korea and the suspending of the Six-Party Talks. And after the spring of 2010 when Cheonan warship incident occurred in the West Sea, inter-Korean relation became worse against South Korean's wish. Some suspected the worst scenarios in Korean peninsula which inter-Korean relation could not recover. In spite of this stagnation of inter-Korean relations, a couple of factors leave us that we still have positive thinking.

First of all, inter-Korean relations, which South Korean governments have continually attempted to develop, have not been totally broken off. Unlike the severely weakened political and military relations and contacts, the shrunken economic relation between two Koreas such as Gaesung Industrial Complex, has been continued. And until the summer of 2010, North Korean government is also supporting the operation of Gaesung Industrial Complex. Considering these circumstances, we can state that inter-Korean relation has been developed so much as that inter-Korean relation would not be fundamentally interrupted by an unexpected incident. Although we cannot fully confirm the actual level of its development, the inter-Korean relation has been gradually developed for quietly long time, overcoming the diverse difficulties.

After the inter-Korean summit of 2000, there were revolutionary development and changes on the inter-Korean relations in various areas including the talks between two Koreas' Defense Ministers. Since then, the two Koreas have developed the level of relations which could not be imagined before the summit of 2000. Gaesung Industrial Complex might be the representative example of those changes and also, Gaesung Industrial Complex makes the concept of the inter-Korean relations change from 'the exchange of two Koreas' to 'the cooperation between them'.

Before 2000, the basic purpose of South Korea's unification policy or policy toward North Korea was to increase the numbers of contact with North Korea, and the chances to communicate and exchange with North Korea. For that policy purpose, almost every governments of South Korea had suggested the numerous propositions toward North Korea, such as economic exchanges, cultural exchanges, reunion of separated families, summit talks, and etc. With these propositions, South Korea sometimes had meaningful results of her efforts, like the reunion of separated families, cultural and sports exchanges in 1980s. Thinking the consequences of these successful events, those were just peaceful contacts and humanitarian communications between two Koreas which had never happened in Korean peninsula. However, there were no institutions and regulations followed which could induce two Koreas' relations into normal state. Those were just events which had a weak sustaining.

After 2000, however, based on these accumulated contacts and communications, the relations between the two Koreas had been strengthened and the tendency to institutionalize

them has been emerged. And, the economic cooperation between them is the clear evidence. Exceptionally the two Koreas concluded four treaties related with the economic exchanges and cooperation in 2000, such as investment, tax, dispute settlement and liquidation, and exchanged the ratified documents in June 2003 like other countries do. Owing to these treaties and their legal protects, Gaesung Industrial Complex project had successfully begun and could be continued until now, in spite of several crises in the Korean peninsula. And the inter-Korean summit has been repeated with the purposes of developing the two Koreas' relations and enriching the peaceful situation in Korean peninsula. After Kim Dae-jung regime, Roh Moo-hyun regime had made the summit in 2007. And Lee Myung-bak regime also tried the summit in the spring of 2010 until the Cheonan incident occurred.

The substantial exchanges and cooperation of the two Koreas has been continued only for 10 years since inter-Korean relations are getting to change from the 'the contacts' to 'the cooperation'. Compare to the over 50 years of division continued without meaningful contacts with each other, it is a just beginning of cooperative relation between the two Koreas which means that the disturbances remain still and affect this cooperative relations. It is not enough for the two Koreas to overcome the hostilities and antagonism against each other. Since 2000, the diverse obstacles which should be overcome have been occurred in Korean peninsula, such as the North Korea's nuclear development program, nuclear tests, missile launches, a killing of South Korean tourist in Kungang Mt., several times of naval conflicts in the West Sea including the Cheonan incident and etc. Whenever these obstacles and crises occurred in Korean peninsula, the relations of the two Koreas had been interrupted going forward, and even moved backward as the backlash of the crises. But with the long-range perspective, even these backlashes also have given meaningful bases to develop and consolidate inter-Korean relations. Related with this, in spite of several severe crises in Korean peninsula, the general movement of the two Koreas' relations has been moving forward not backward.

Regarding inter-Korean relations which repeatedly moves forward and backward, these confusing movements have been appeared not only in the period of before 2000, but in the period of after 2000. If the difference of two periods should be identified, the movement of before 2000 had been moved between no contacts with hostilities toward each other and the contacts with wariness. But the movement of after 2000 shows different two poles, one is the keeping the diverse contacts with caution and another is the extending the economic cooperation which invites the economic benefits to both Koreas. Even though there is a possibility of going back to the point of no contact, the inter-Korean relations of 2010 have been clearly developed, comparing with the period of before 2000. And more, we can find a growing durability of this relation which the cooperation between the two Koreas has not been completely discontinued even in the cases of North Korea's nuclear crises including nuclear tests, and Cheonan incident. Accordingly, it may be carefully claimed that the positive relations of the two Koreas have been incrementally developed.

Like the inter-Korean bilateral relations, international multilateral relations with North Korea have also developed based on repeated failures. It has also gone forward and backward repeatedly. The first trial for multilateral approach toward North Korea was KEDO (Korean Peninsula Energy Development Organization) which was organized in 1995 to fulfill

the Geneva Basic Agreement concluded in 1994 between the U.S. and North Korea. However, KEDO, which South Korea, the U.S., Japan, and EU had participated in, had officially terminated its LWR(Light Water Reactor) project in May 2006, and North Korea's nuclear crisis has continued until now. And after the summit with Clinton on April 1996, Kim Young-sam proposed the Four-Party Talks to build the Peace System in Korean peninsula. Although four parties including two Koreas, the U.S. and China, gathered in December 1997, the talks was dismissed without the meaningful results. Four parties had faced severe difficulties to agree even with the agendas which should be dealt in Four-Party Talks. After the second nuclear crisis of North Korea broke out, the Six-Party Talks after the Three-Party Talks of the U.S., North Korea and China, had begun in August 2003. Although the Six-Party Talks has been suspended since 2008 and North Korea's nuclear issues are not fundamentally settled yet, the agreements of September 19, 2005, February 13 and October 4, 2007 were evaluated as successful outcomes, which means progress in multilateral approach toward North Korea.

It may be evaluated that the multilateral approaches toward North Korea are gradually developing in the long-range perspective. Because, considering the experiences of inter-Korean relations, the Six-Party Talks are already reflected the developed level of multilateral approaches toward North Korea. The agreements of the Six-Party Talks which state the Peace Agreement and the Peace System in Korean peninsula could not be expected in the Four-Party Talks in 1996. Though the Six-Party Talks system may not be structured perfectly, it could give a meaningful help to the incremental development of multilateral approaches toward North Korea, and to the fundamental resolve of North Korea's nuclear crisis, and even to the inter-Korean relations.

According to the South Korean perspective, the real problem in both of inter-Korean relations and international relations is that North Korea has not responded friendly to South Korea's diverse propositions and participation. Contrary to the South Korea's wish, South Korea seems to have difficulties to manage the crisis resulted from North Korea's acts. Therefore, unexpected diverse incidents, which South Korea finds hard to initiate and manage them, might be occurred in the future of Korean peninsula by the North Korea's intention or accident. And inevitably, some of them might be different from South Korea's imaginations and they may be beyond South Korea's preparedness which have been already proved by the history of inter-Korean relations. Whenever South Korea faces these kinds of incidents, her diplomatic resources are getting exhausted. In some cases such as Cheonan incident, South Korean government and people fell into the big confusion and failed to identify the real intention of North Korea. And the worst thing is that this confusion invites the domestic political conflicts in South Korean society and the exhausted domestic resources.

In order to evaluate the status of Six-Party Talks and its impact to inter-Korean relation, a distinction may be needed between the general trends of development and the temporary suspending or going backward for the unexpected incidents. Thus, though there is a temporary recession of the inter-Korean relations or Six-Party Talks, there are few reasons to have a pessimistic view about them. However, it may be also too early to have full optimistic view about these relations since only ten years has passed after the two Koreas have cooperative relations. To prevent the complete worn out of South Korea's domestic and

diplomatic capabilities for inter-Korean relations and international multilateral relations with North Korea, South Korea should prepare for the diverse situations which could be happened in the future, and accumulate the experiences related with North Korea not to repeat the mistakes. And with these preparations, South Korea should be ready to manage the crisis by her own way, not by North Korea's way.

**On the Non-Optimality of the Six-Party Talks
- Or why were there no ‘Six-Party Talks’-like regional multilateral forums
on the WMD programs in Iraq and Iran?-**

**HAN Intaek
Jeju Peace Institute**

In terms of performance, the Six-Party Talks are an apparent failure. They did not prevent North Korea from conducting nuclear tests and launching missiles, let alone leading North Korea to dismantle its nuclear weapons. Though under-performing by any reasonable measure, they are not likely to be discarded easily. There is now even a renewed push to resume the talks.

As an international institution--or as an international ad hoc arrangement if one defines institutions strictly—the Six-Party Talks pose two puzzles. The first one is about their creation: Why were they launched in the first place, though no similar multilateral regional forums were created about the WMD program in other two “Axis of Evil” countries or for that matter, on nuclear programs in India, Pakistan, South Africa, Israel, etc.? The second puzzle is about their continued existence: Why do they linger even though the talks have clearly failed to produce the results that they were intended to produce?

While discussions on the prospects for and problems of the Six-Party Talks are frequent among their supporters and critics, few, if any, examine these puzzles head-on. This brief is perhaps one of the few, if not the first, attempts to address them.

The Basic Premises of the Six-Party Talks

Proponents of the Six-Party Talks assume firstly that the North Korean nuclear program is not simply an inter-Korean problem or a primarily U.S.-North Korean problem as some would argue but a regional problem and secondly that the resolution of the North Korean nuclear problem requires a multilateral cooperation more than unilateral action or bilateral negotiation. In other words, participants in--at least the proponents of—the Six Party Talks define the North Korean nuclear problem as a “regional” issue which is best addressed through a “multilateral” cooperation of major stakeholders in the region, including the United States across the Pacific. This is an interesting definition of the problem and for that matter, of the region; it represents an equally intriguing choice in terms of the format of cooperation.

It would be curious to know why such particular definition and choice were made in the first place and subsequently accepted by the six countries in the talks but whatever happened, happened unless we can change the past. So this brief concentrates on possible problems arising from the initial problem definition and format choice. The question this brief is mainly interested in is as follows:

Does the apparent failure of the Six-Party Talks--or at least their stop-and-go progress of the talks-- have anything to do with these decisions—the regionalization of

problem and multilateralization of solution?

Before we delve into this question, a short primer on public goods and public bads is in order. In economics, a public good is a good that is non-rivalrous and non-excludable in its consumption. Examples of public goods include free-to-air broadcasting, air, national defense or diplomacy. On the other hand, a public bad is the symmetric of a public good. Air pollution is the most obvious example as it can affect each and every person negatively. Economists argue that public goods are typically under-produced—the so-called public goods problem—while public bads are usually over-produced. To solve the public goods problem (or to mitigate the problem of public bads), economists often call for state intervention.

Back to the discussion of the Six-Party Talks and North Korea's nuclear program. In order to claim that the Six-Party Talks are an optimal response to the North Korean nuclear program, one should be able to prove firstly that the North Korean nuclear program is a public bad to the member of the region and secondly that the desired public good—nuclear disarmament of North Korea—is best produced collectively (multilateral cooperation) than individually (unilateral action or bilateral deal). If one or both of these two claims are not tenable, it follows that in order for the Six-Party Talks to contribute to the resolution of the North Korean nuclear problem better, the structure of the talks needs to be changed.

It is not clear whether the North Korean nuclear program is a regional public bad to the extent that it is assumed in the discussions surrounding the Six Party Talks. For one thing, North Korean nuclear weapons do not affect each and every country equally negatively. South Korea is obviously most affected, as its very existence is threatened by North Korea's nuclear weapons. Russia, on the other hand, has none of its vital interests—be they its population, military forces, or industries—put at serious risk by North Korea's nuclear program. The United States is not even in the region if the region is defined naturally, i.e. geographically. It would be then more accurate to say that the North Korean nuclear program is primarily a private bad affecting South Korea and to a lesser extent, Japan, China and the United States. In other words, it is a regional public bad at best secondarily. If this conclusion is correct, i.e. the North Korean nuclear problem is primarily a private bad, its implication is that its resolution probably requires something less than regional, multilateral cooperation. This is not to deny that if every country in the region puts its efforts together, the resolution of the North Korean nuclear crisis will be more likely. But the critical question here is: Why would every country in the region put in its best efforts if the problem affects only few of them? In other words, serious multilateral cooperation is unlikely given the primarily private bad nature of the nuclear crisis. (This, of course, is not to suggest that multilateral cooperation is likely if the nuclear crisis is truly a public bad. As well documented and researched, collective efforts are difficult to materialize due to free-riding and other problems.)

Leaving aside the question of the exact nature of the North Korean nuclear program for the moment, should the nuclear disarmament of North Korea be pursued primarily—even exclusively—in a multilateral manner? This question is about the actors and process optimal for the resolution of the North Korean nuclear crisis. One needs to be reminded that the Six-Party Talks are not even a multilateral forum in the strict sense. Rather the Six-Party Talks

are a multinational forum, as they do not have yet developed a set of universal norms that are characteristics of a truly multilateral international institution. Also, the Six-Party Talks are not even institutionalized in any meaningful sense; they are more an ad hoc international arrangement than a formal international institution, though this may change in the future.

Though multilateralism is often idealized, it is important to remember that multilateral cooperation is often the exception than the norm—in other words, hard to come by-- and also that multilateral cooperation is not necessarily most desirable. In this regards, some of the recent findings in international institution research include the following observations about membership rules for international institutions relevant to our discussion.

1. Restrictive membership increases with the severity of the enforcement problem.
2. Restrictive membership increases with uncertainty about preferences.
3. Inclusive membership increases with the severity of the distribution problem.

The first observation suggests that reducing the number of participants will increase the incidence of cooperation when it is hard to get countries to comply with what has been agreed. In other words, reducing multilateral interactions to trilateral or even further to bilateral interactions will promote cooperation. An obvious implication of this observation for the Six-Party Talks is that the Six-Party Talks may have too many parties if what was agreed has been often undelivered. The second observation suggests that states can learn about the preferences of other states better when working in a smaller group than in a larger group. In other words, by reducing multilateral interactions to trilateral interactions and even further to bilateral interactions, states can learn about other states' preferences better and possibly build mutual trust better. If, for instance, uncertainty about North Korea's preferences is a problem, then a multilateral forum smaller than the Six-Party Talks may be useful; even better would be a bilateral dialogue, say, between the North and the United States. The last point suggests that a large group (institution) is better than a small group (institution) if states care a lot about who gain or lose more, in other words when the relative gains concern is high. If, say, Japan is worried, for any reason, that South Korea benefits more from North Korea's nuclear dismantlement than Japan does, including other states—China, Russia, the United States, the ASEAN, the EU, and the like—in the international efforts to resolve the North Korean crisis would be helpful. It is hard to think why the relative gains concern has to be high among the six countries. If the relative gains concern is not high, then a large multinational forum may not be needed.

Time to Call the Naked Emperor Naked?

Let's face the truth, how inconvenient it may be: The Six Party Talks have failed to deliver the intended results. Though disappointing, this is not surprising at all, since no regional multilateral forums have ever ended WMD programs. In fact, except for the Six-Party Talks, no such forums have ever been created to deal with nuclear programs, though the international society was very serious about newly emerging nuclear threats. It is safe to conclude that the absence of regional, multilateral forums elsewhere is hardly a result of

negligence but one of deliberate choice.

If the Six-Party Talks are not delivering and if no regional multilateral forums have ever ended nuclear programs, perhaps we should ask ourselves whether or not to continue the Six Party Talks and seek other methods. If we have invested in the Six Party Talks too substantially to give up at this point, we should then at least consider redesigning or restructuring the regional multilateral forum somewhat. Discussion of redesigning or restructuring the forum needs involve, among others, a serious re-examination of the basic premises of the talks. Specifically, we can no longer take for granted that the North Korean nuclear program is a regional problem and that the resolution of the problem requires a regional, multilateral forum.

As it looks now, the Six-Party Talks may resume sooner or later. When the talks do resume, I hope that the basic premises and structure of the talks themselves will be on the agenda. Specifically, the participants should discuss how to best de-regionalize and de-multilateralize the failing forum.

How to Improve Inter-Korean Economic Relations through the Six Party Talk - A Korean Economist's Perspective -

JO Dongho
Ewha Womans University

In spite of South Korea's strong desire, there exists a limit to expansion of inter-Korean economic relations

Expansion of inter-Korean economic relations is one of the most effective ways to achieve reconciliation and cooperation between North and South Korea, which are considered to be inevitable conditions for peaceful and smooth unification of the Korean peninsula. It is why all the South Korean governments have been trying to expand inter-Korean economic relations since 1988. Even though inter-Korean economic relations have been improved to some extent in terms of trade volume and investment amount, it is still far away from the South Korea's original expectations and desire.

The poor record in inter-Korean economic relations is basically a result of poor economic situation of North Korea. In fact, inter-Korea trade is hardly likely to increase without growth of the North Korean economy. The increase in inter-Korean trade means either the South exports more to or imports more from the North. However, only a few items can be imported from the North due to the low quality of North Korean products. In addition, it is not easy for the South to export to the North because the North lacks foreign currency enough to buy expensive South Korean products.

The case of investment is similar. Many South Korean firms are interested in business with North Korea. However, poor infrastructure and socialist system make them hesitate to execute their investment projects. Without considerable improvement in investment environment of North Korea, therefore, most South Korean firms would continue to stay away from investment in North Korea.

The North Korean economic condition is getting worse and worse

As discussed above, improvement of economic condition of North Korea is a prerequisite for expansion of inter-Korean economic relations. However, The North Korean economic condition is getting worse and worse. Even if the North Korean economy had escaped from negative growth for nine consecutive years in the 1990s, the economic condition in the 2000s has continued to be poor according to Bank of Korea. For instance, the average economic growth rate in the first half of the 2000s is 1.9%, and it drops to 0.8% in the second half of the 2000s. Moreover, North Korea's economic growth rate last year is -0.9%. In addition, the currency reform at the end of last year caused a serious damage to the growth potential of the economy. Even if it is not easy to conclude whether the currency reform has failed or not, what is clear is that it has contributed to nip the bud of capitalism and to curtail market activities. Unfortunately, however, the future of the North Korean

economic condition is not bright due to economic sanction by international society. Especially, the additional financial sanction discussed recently by the United States will give a crushing blow to the North Korean economy.

The economic reform of the North, which should be the fundamental solution to escape from the current economic difficulties, cannot be anticipated in the near future

Another reason for sluggish inter-Korean economic cooperation is the negative attitude to economic reform and opening of the North Korean authority. Up to date, North Korea has continued to stick to 'Juche' ideology and closed economic system. If North Korea had adopted active reform opening policies, the economic condition should have been much better as we see the cases of China and Vietnam. Thus, we can say that the seriously deterioration in economic condition and economic policy directions of the North Korean authorities are two major obstacles to improving inter-Korean economic relations. Without resolving these two problems, inter-Korean economic relations cannot be significantly developed.

It can hardly be expected that the North Korean authorities will change the current policy directions in the near future. As we all know, the North Korean government has been very hesitant toward launching an economic reform program. In fact, Kim Jong-il is the only man in North Korea who can open the road to reforms. He is certainly aware of the troubles of the economy. Although he has taken several measures to correct the situation such as the improvement of the team management system in the agricultural sector in 1996 and the July 1st economic measures in 2002, these measures amount to no more than patching holes under the traditional principle of self-reliance. He is worrying that reforms will undermine and destroy socialism in the North, and eventually lead to absorption by the South. Furthermore, he is reluctant to abandon his father's heritage because it provides the legal basis for his claim to power. If he diverges from his father's platform, he will lose the right to be called the 'great leader' and to stay in power. He will lose the ability to control both the elite and the general population. Moreover, North Korea is now in a power transition period. The justification of power succession from father to son should be found in carrying on the work left unfinished by the father, which is to inherit and develop 'Juche' style socialism.

Thus the fundamental change of policy directions cannot be observed until the next leadership takes the power. In addition, South Korea does not have any effective measures to induce North Korea to change its policy directions.

Therefore, the deteriorating economic condition of North Korea is a primary obstacle to be surmounted to improve inter-Korean economic relations at the present stage. Under these circumstances, our efforts to improve inter-Korean economic relations need to be focused on how to revitalize the North Korean economy.

Given the situation that neither changes in policy directions nor reforms in North Korea are likely to occur in the near future, what should the policy directions of the South Korean government be in order to improve inter-Korean economic relations? The answer is simple; keep trying to expand inter-Korean economic exchanges and cooperation both in the public and private sectors, just as the South Korean governments have been doing thus far. It

may sound like nothing new. Indeed, it may be nothing new in terms of policy measures. However, the basic philosophy and viewpoint are different.

Revitalization of the North Korean economy for improvement of inter-Korean economic relations, not improvement of inter-Korean economic relations for revitalization of the North Korean economy

Among the analysts and policy-makers of South Korea, the main stream of thoughts seems to have been that the improvement of inter-Korean economic relations would help North Korea escape from the economic crisis and thereby would induce North Korea to start economic reforms. Such a perception of inter-Korean economic relations is unrealistic and is destined to fail in developing inter-Korean economic relations. First, the condition of the North Korean economy is too serious to be rescued by the current amounts of trade and investment by South Korea. Second, inter-Korean economic relations cannot be improved significantly unless there is a revitalization of the North Korean economy. Third, the revitalization of the North Korean economy will be impossible without a reform of its economic system. As we discussed above, however, it can hardly be expected that the North Korean authorities will launch economic reforms in the near future, no matter how much inter-Korean economic relations are improved. Fourth, this has produced futile disputes over the effectiveness of policies within the South Korean society. Especially, the conservatives have insisted that the improvement of inter-Korean economic relations would only contribute to the survival of the North Korean regime, not to reforms. They have not only been strongly against providing food aid to the North, but also against expanding inter-Korean economic cooperation. In fact, this argument has been one of the major causes for the inconsistency of the North Korea policy by the South Korean governments.

At this juncture, we need to recollect the basic objective of promoting inter-Korean economic relations. It is to contribute to providing the most desirable way to unification, enhancing mutual understanding and developing overall inter-Korean relations. This can only be achieved when North Korea shows a positive attitude toward inter-Korean economic exchanges and cooperation. Without the revitalization of its economy, North Korea cannot be self-confident of developing inter-Korean economic relations.

Therefore, the perception needs to change and should be in reverse order. That is, we should focus on the revitalization of the North Korean economy beforehand. In promoting inter-Korean economic exchanges and cooperation, we need to be careful not to give North Korea such an impression that it is actually intended to induce the reforms of North Korea. In fact, it is the North's choice whether or not to reform its economic system. What we can and should do is to help the North Korean economy escape from the current crisis and build a foundation for stable growth. The growth of the North Korean economy will be naturally followed by the improvement of inter-Korean economic relations and it will enhance the possibility of the economic reform of North Korea.

The six-party talk is required to be a strong multilateral platform for assisting the revitalization of the North Korean economy

The revitalization of the North Korean economy cannot be achieved by South Korea alone. Because of the fear of absorption, North Korea does not want to develop economic relations with South Korea above the certain level. Furthermore, all the countries surrounding the Korean peninsula hope to see the revitalization of the North Korean economy since it will definitely and considerably contribute to regional peace and stability. Thus, it will be useful to build a multilateral mechanism to assist the revitalization of the North Korean economy. It is recommended to utilize the existing six-party talk for this purpose rather than founding a new mechanism. And all the six parties already had agreed on establishing a working group on economy and energy cooperation in 2007 with other working groups on the denuclearization of the Korean peninsula, normalization of North Korea-U.S. relations, normalization of North Korea-Japan relations, and a joint Northeast Asia peace and security mechanism, although it has not been implemented.

Of course, the primary purpose of the six-party talk is to resolve the North Korean nuclear issues and establishing a working group on economy and energy cooperation is designed to be one of the incentives to fulfill this purpose.

In order to make the deal with North Korea successful at the six-party talk, however, the economic incentive should be much bigger and more comprehensive and it should be discussed on the main table. What we prepare should not be a gift to run several North Korean factories at the present stage but a well organized grand design for revitalization of the North Korean economy as a whole in the long run. The design can be also utilized as a basic guideline when the North Korean contingency happens.

The Status of the Six Party Talk Process and Inter-Korean Relations: A Korean perspective

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➤ The Status of the Six Party Talks

- The Six Party Talks Process had been a vital venue for resolving North Korea's nuclear problem and also for building confidence among major players in Northeast Asia, namely the US, China, Japan, Russia, and two Koreas.
- The Six Party Talks Process produced many valuable outcomes despite current halt and criticisms from skeptics: In 2007, the process produced key documents called 2-13 agreement and 9-19 agreement, and started disablement process. In 2008, North Korea handed its record of nuclear activities over to the US, and the US removed North Korea from the terrorism list. North Korea destroyed nuclear reactor's cooling tower at Youngbyon, etc.
- The Talks came to a stalemate or a halt over disputes on verification protocol, and North Korea's launching of a long range missile in 2009 about three month after the arrival of the Obama administration in the US.
- Since then, North Korea restarted its nuclear program, and nothing has been done to deal with North Korea's nuclear program. Skeptics started to say that the US may recognize North Korea as a de facto nuclear state and shift its attention to nuclear non-proliferation from North Korea to other countries or groups.
- Even if the 6 Party Talks Process has not been very satisfactory, one cannot find a better alternative to deal with diverse key security issues in Northeast Asia such as North Korea's nuclear problem, regional stability, peace system on the Korean peninsula, confidence building, and normalization of relations between North Korea and the US, Japan. Indeed, the dismantlement of the Cold War Structure in Northeast Asia, whatever that may mean to each party of the 6 Party Talks, will bring a genuine peace and cooperation among 6 parties.
- The Six Party Talks Process had been a functionally effective venue for building trust among antagonistic powers by exchanging small trusts at each stage to build a larger trust structure between and among them.

➤ Inter-Korean Relations

- Since the inauguration of Lee MB administration, inter-Korean relations have not shown any sign of progress. The reasons for deterioration are multiple and LMB government is not entirely responsible for the deterioration.

- However, LMB government's North Korea policy has not been very conducive in bringing North Koreans to the negotiation tables and continuing the positive legacies of the previous administrations.
 - The non nuclear 3000 principle (비핵개방 3000) has not been translated into any meaningful and concrete North Korea policies, and only antagonized North Korea by reiterating distrust problems of the North Korean government.
 - There have been rumors and perceptions that many in the government may be anticipating collapse of North Korea even seriously preparing for contingency planning. Economic woes, famine, failure of currency reform, and succession problems are being cited as symptoms or triggers of North Korea's collapse.
 - The Cheonam incident again worsened the inter-Korean relations. The US and Japan strongly support the LMB government's firm stance against North Korea by holding a joint military operation, imposing financial sanctions, and denouncing North Korea's attack.
 - North Korea strongly resisted such moves by Korea, Japan and the US. However, China and Russia have not been very supportive of South Korea in denouncing North Korea.
 - The Joint military operation by South Korea and the United States (with Japanese SDF participating as a observer) may produce new tension among major powers in Northeast Asia, reminiscent of the Cold War days.
- What are the problems and what is to be done?
- South Korea and the US have to come up with a productive solution rather than political rhetoric and slogans.
 - LMB government's North Korea policy has been "Bring your (North Korea's) solution to us, then we will assess it whether or not it's genuine, sincere, and good. Then we will think about what to do next."
 - In other words, with regard to dismantling North Korea's nuclear program, LMB government demands solutions to North Korea rather than having its own solutions.
 - In addition, without preparing exit options, the LMB government only escalates tension in Northeast Asia dividing North Korea, China, and Russia on the one hand, and South Korea, Japan, and the US on the other.
 - South Korea in the end has to pay huge costs in the following ways:
 - (1) North Korea will accelerate and strengthen its nuclear capacity.
 - (2) China may hold its economic relations with South Korea hostage.
 - (3) US will demand huge contributions from South Korea in terms of dispatching combat troops to Afghanistan, FTA concessions, and defense burden sharing, in exchange for symbolic support (joint military operations) for LMB government's denouncement of North Korea.
 - (4) North Korea will strengthen its political and economic ties with China. It is very unlikely to collapse.

- (5) Russia may hold number of cards to play against the validity of Cheonan investigation.
 - (6) South Korea will have to accept resumption of the 6 party talks eventually once North Korea responds with nuclear cards or other tough measures. Then the LMB government may have to face up to domestic political challenges. The resumption of the 6 party talks may be in the offing after the mid term election in the US.
 - (7) After the resumption of the 6 party talks, South Korea may not be able to sit on the driver's seat as the trust level between the two Koreas is at all time low. In addition, the 6 party talks may have to start over from the scratch again, which is waste of time, energy, and money.
 - (8) South Korea does not have any crisis management and communication channels with North Korea in times of misperception, unintended disasters, and sudden emergencies.
- It's high time to think about exit options, and start contacts with North Korea. Otherwise, LMB government will be at bay both domestic and international politics in the near future because other parties will find it in their interests to resume 6 party talks.

The Six-Party Talks and the Korean Perspective

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We all know that the Korean Peninsula remains the most volatile geopolitical problem for the world. The past few months are great proof of this. Not even the most renowned experts on the Korean Peninsula could have anticipated the events that we have witnessed during the past four months. It goes without saying that forecasting the next four months until the G20 Summit in Seoul, South Korea will be equally difficult. We could only guess and hope that our guesses do not deviate too much from reality

On July 10, after the release of the presidential statement by the UN Security Council, which did not explicitly condemn North Korea for its action that sank a South Korean warship, a North Korean spokesperson affirmed North Korea's intention to continue its efforts for a peace treaty and denuclearization via the Six-Party Talks, which has remained stalled as of late.

Mr. Qin Gang, the Chinese foreign ministry spokesperson, released a formal statement in response to the statement made by the UN Security Council saying that "The statement referred to the findings of South Korea's joint investigation and also referred to DPRK's response that it had nothing to do with the incident. The statement also encouraged the settlement of outstanding issues on the Korean Peninsula by peaceful means to resume direct dialogue and negotiation between the DPRK and ROK. We hope that relevant parties will continue to exercise calmness and restraint and take the opportunity to turn over the page of the Cheonan incident as soon as possible. We call for an early resumption of the Six-Party Talks and joint efforts to maintain the peace and stability of the Korean Peninsula."

We can conclude from these statements that both China and North Korea have begun to transfer the negative attention given to the Cheonan incident to the positives underlined in the Six-Party Talks. These talks include participants with diverging interests and priorities with regard to North Korea and the Korean Peninsula. China's foremost priority is regional stability. As long as China has a certain level of control over North Korea, North Korea's nuclear gamble does not matter much to China. The U.S., on the other hand, has a different view. Its interests are not limited to the Korean Peninsula and are more global in scope. Along with South Korea, it has taken a tougher stance on North Korea than China has.

China's stance, downplaying the Cheonan incident and pushing towards the resumption of the Six-Party Talks, has positioned South Korea in a delicate situation. South Korea is now forced to deal with China as well as North Korea. The South Korean government has firmly maintained its stance that the Six-Party Talks will not resume until the Cheonan incident is resolved. President Lee announced during his national speech that North Korea must apologize to South Korea and that it should penalize the ones responsible for the incident. It

is highly unlikely that South Korean appeals will be met with any sort of satisfaction, however. With the Chinese intention to resume the Six-Party Talks, South Korea must formulate an exit strategy, which will pose a great challenge.

Perhaps taking into account such realities, a South Korean government official said that the key to resuming the Six-Party Talks is North Korea's sincere attitude towards denuclearization. This statement concedes that the Six-Party Talks could resume without North Korea's apology for the Cheonan incident.

If the Six-Party Talks were to resume without a formal apology by Kim Jong-il, it will certainly damage President Lee's diplomatic and political weight. When the Lee government brought the Cheonan incident to the UN Security Council, its intention was to resolve the issue without having to resort to military actions. President Lee wanted to make sure South Korea undertook all the steps necessary for the international community to acknowledge North Korea's guilt. With the rights steps taken, he believed that the UN would pronounce a strong resolution to hold North Korea accountable. At first, it appeared that South Korea was about to get its wish through the UN resolution. Surprisingly, what South Korea got from the UN Security Council was baffling to the degree that even North Korea was satisfied with it. North Korea's satisfaction with the UN Security Council signified total failure on the part of South Korean diplomacy.

Moreover, with China's support and a seemingly reluctant United States, who does not want spend too much of its political capital on the Korean Peninsula, the Six-Party Talks are seemingly headed toward resumption without the slightest punishment for North Korea. If the current trend continues, it would imply another win for the North and another loss for the South.

One thing to consider for the Lee government is that the conservative Korean public believes that any sort of dialogue with North Korea is futile. With this contemptuous public mindset, the resumption of the Six-Party Talks may appear merely as a free get-out-of-jail card for Kim Jong-il's regime. Consequently, it will be difficult for the Lee government to persuade the public.

Why does the Lee government consider the resumption of the Six-Party Talks a win for the North? Many anticipate that the North will focus on bilateral talks with the United States rather than deal with the South. Therefore, South Korea will most likely be held voiceless in dealing with affairs pertaining to North Korea and the Korean Peninsula.

Thus, it would be best for President Lee to resolve the Cheonan incident prior to the resumption of the Six-Party Talks. Options include taking military actions, applying diplomatic pressures with the U.S., or striking another under-the-table deal with North Korea. The Lee government may also opt to wait for North Korea to make a mistake. Any North Korean action that leads to the failure of the Six-Party Talks would be seen as North Korea's

fault, not the South's. If North Korea demands the lifting of sanctions as a precondition for resuming the Six-Party Talks, the Lee government can blame North Korea for sabotaging the talks.

As I was writing this note, the U.S. government announced a new package of economic sanctions against North Korea as punishment for its role in the sinking of the South Korean warship. Some argue that the United States and China, as G2, struck a strategic deal to help the South Korean predicament. The Assistant Secretary of State Philip Crowley added that Washington will sanction North Korean businesses and individuals involved in weapons proliferation and other illicit activities. These sanctions will freeze financial accounts of companies trading in counterfeit cigarettes, banknotes, and drugs, which generate hard currency for Kim Jong-il's regime. Furthermore, North Korean officials will be banned from traveling overseas and diplomats will be stripped of their diplomatic privileges.

It is possible that the United States, frustrated by years of contracted progress, wanted to take a firmer stance than the UN Security Council. Whatever the motive, U.S. sanctions will inevitably suffocate the isolated communist regime. As in the 2005 BDA case, the impact of U.S. sanctions is believed to be extensive and immediate, given the fragile nature of the North Korean economy. For example, North Korea wailed when the U.S. froze \$25 million of North Korean deposit in a Macau bank in 2005. The U.S. is hoping for similar results. However, we need to keep in mind that U.S. sanctions in 2005 led to North Korean missile tests, including a nuclear test.

Considering the inherent mistrust between the U.S. and North Korea and between the two Koreas, South Korea and the U.S. must understand that they alone cannot improve the situation. The Cheonan incident and the Six-Party Talks have made inter-Korean relations more delicate and unpredictable than they have been. What is the true purpose of the new sanctions? Are they to punish North Korea for its mischief or to use them as leverage for future negotiations? Does the new package of sanctions and military drills signal a change in strategy to prepare for a possible North Korean regime collapse? Or are the current military drills between South Korea and the U.S. bargaining chips for possible negotiations? What will North Korea do to lift U.S. sanctions? Will it offer a formal apologize for the Cheonan incident? Or will it be undaunted by the sanctions and carry out another missile test? Only time will tell and the world will be watching.

The Cheonan Dilemma, Inter-Korean Relations, and the Six Party Talks

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When the Cheonan Warship sank during the US-ROK joint naval exercise on March 26, the incident was a great embarrassment to the Lee Myung-bak (MB, hereafter) government. Whether it was by accident or by North Korean attack, the commander in chief as well as the military leadership could not avoid blame and responsibility. Moreover, a series of blunders in the early responses to the incident exposed the incompetency of the military and the national security team of the MB government.

However, the MB government soon seized a political opportunity from the incident. By declaring North Korea as the culprit, presenting quite plausible evidence for North Korea's torpedo attack, and announcing various measures to impose pain on the North Korean regime, the MB government and the ruling party tried to mobilize conservative voters in the nationwide local elections on June 2. The MB government also brought the issue to the United Nations Security Council, aiming to produce a UNSC resolution condemning North Korea as the culprit and intensifying international sanctions against it. However, neither domestic politics nor international politics unfolded in the way the MB government had expected. In the meantime, legitimate doubts and scientific questions have been raised about the credibility of the findings of the Joint Civilian-Military Investigation Group, and the JCMIG has failed to answer them in a convincing way and to maintain consistency in several important issues.

Now, the Cheonan issue is increasingly becoming a dilemma for the MB government. Before the Cheonan incident broke out, US-DPRK dialogue was under way in order to resume the Six Party Talks. Also, there were signs of improvement in inter-Korean relations and a possibility of the inter-Korean summit between Lee Myung-bak and Kim Jong-il was being discussed. The Cheonan incident has had and will likely have profoundly negative effects not only on inter-Korean relations but also on the Six Party Talks. The hostile inter-Korean relations in the aftermath of the Cheonan incident are likely to hinder the development of the diplomacy between the United States and North Korea and cast dark clouds on the prospects of the Six Party Talks.

On the other hand, the Cheonan incident makes the denuclearization and establishment of peace regime in the Korean peninsula all the more imperative. The problem is that there is no easy solution to the Cheonan dilemma. I will speculate on two possible approaches to solve the Cheonan dilemma: "forget about it and move on" vs. "get to the bottom of it."

The Cheonan Dilemma in Domestic Politics

When the JCMIG announced that North Korea's torpedo attack was responsible for the

sinking of Cheonan on May 20, the MB government and the conservative ruling party saw a golden opportunity that would put the liberals in defensive and give great advantage to the conservative candidates in the upcoming local elections. In fact, whether it was coincidentally or deliberately chosen, the date of JCMIG's announcement coincided with the official launching date of campaigning for the June 2 local elections. Starting with President Lee's nationally televised address from the Korean War Memorial on May 24, South Korean government suspended trade and exchanges with the North, banned the North's merchant ships from South Korean waters, and announced plans to install loudspeakers along the DMZ to resume psychological warfare.

However, the measures designed to impose maximum pain to the North Korean regime turned out to give more pain to South Koreans. It was evident that the open economy of South Korea was much more vulnerable from the military tensions between the two Koreas than the closed economy of North Korea. South Korea's stock prices plunged and the Korean won depreciated. As the North also banned South Korean ships and airplanes from using its territorial waters and airspace, the South's two main airlines, Korean Air and Asiana, began rerouting passenger jets to avoid North Korean airspace. Thus, air travel time between Korea and America came to take longer and more fuel was needed for the airplanes. In response to the South's plan for psychological warfare, North Korean military warned that they would shoot the loudspeakers. These hostile exchanges of words and resolves between the North and the South made many South Koreans anxious about the possibility of war or some significant military conflicts. In the end, the government and the military had to retreat from the loudspeakers plan.

The outcomes of the nationwide local elections on June 2 dealt a serious blow to the MB government. It turned out that the use of the Cheonan issue, or the "North wind," was not as effective as expected in bolstering the conservative candidates. In particular, the defeat of the ruling conservative candidates in the elections for mayor of Incheon and governor of Kangwon was significant. Baekryung-do island, just a few miles west from which the Cheonan incident took place, was part of Incheon Metropolitan City, and hence residents of Incheon were among those who were most influenced by the Cheonan issue. Kangwon-do borders the DMZ and its residents have traditionally been the most conservative and sensitive to North Korea issues. Electoral defeat of the ruling party candidates in these regions may indicate that too aggressive campaign of the MB government backfired because those residents became scared of war.

Ironically, the Cheonan incident made many South Koreans appreciate the benefits of engagement policy, or Sunshine Policy, of previous two liberal governments under late Kim Dae-jung and late Roh Moo-hyun. Suddenly, they have realized that they had enjoyed peace without much worry about the possibility of war in spite of North Korea's nuclear tests and other provocations for the last decade and that peace may not be necessarily guaranteed on the Korean peninsula. Thus, the liberal opposition's slogan of "War or Peace" was perhaps more appealing to voters than the conservative ruling party's propaganda.

Also, the Kaesong Industrial Complex, which was often criticized as a project of unilateral giving, turned out to be playing an important role in maintaining inter-Korean economic relations. In spite of trading of threats of military confrontation and severing of most economic and diplomatic ties, the Kaesong complex has remained a conspicuous exception. It became clear that neither the South nor the North wanted to shut down the Kaesong, where 121 mostly South Korean companies employ 44,000 North Korean workers.

In summary, the MB government's Cheonan drive failed to strengthen the conservatives. On the one hand, it helped strengthen rather than weaken the liberals and the case for engagement. There is a growing voice for resuming humanitarian aid and reopening dialogue with North Korea. On the other hand, it disappointed the hard-core conservatives and increased polarization surrounding the policy toward North Korea. It will be a betrayal of conservative expectations to reopen dialogue with North Korea without punishing the Kim Jong-il regime for the Cheonan incident. Thus, President Lee is in a difficult situation.

The Cheonan Dilemma in International Politics

The MB government chose diplomacy as a primary means of punishing North Korea. However, the results of the diplomatic efforts at the United Nations Security Council were disappointing. In spite of strong backing of the United States, the UNSC failed to adopt a resolution and instead produced a toothless presidential statement on July 9. The statement did not pinpoint North Korea as the culprit. The ASEAN Regional Forum in Hanoi, which was attended by the foreign ministers of 27 countries including both Koreas, the U.S., China, Japan and Russia, was another diplomatic failure. The chairman's statement adopted on July 24 failed to blame North Korea for the Cheonan sinking.

Ironically, the Cheonan diplomacy helped strengthen the isolated North's diplomatic power. As South Korea and the U.S. showed close collaboration, China sided with the North. The divisions between South Korea-the U.S.-Japan and North Korea-China-Russia became apparent. Although the U.S.-R.O.K. joint naval exercises changed its venue from the West Sea to the East Sea, China opposed it and carried out its own naval drills in the West Sea. Thus, tensions have been rising in the aftermath of the Cheonan incident not only along the DMZ but also between China and the U.S.

Before the sinking of Cheonan, there were high expectations on the resumption of the Six Party Talks. Even when Hillary Clinton visited South Korea late May to show U.S. support on the issue of the Cheonan, she still indicated the pursuit of a two-track strategy. Hence, it had been expected that, not long after the UNSC concluded its position on the Cheonan, there would be bilateral dialogue between North Korea and the U.S., which would be followed by the resumption of the Six Party Talks (EAI 2010a,b). However, war of words continued even after the UNSC presidential statement was adopted and the U.S. declared strengthening of sanctions on North Korea. Also, South Korea has insisted that Six Party Talks not resume

until North Korea apologizes for the sinking.

When the UNSC concluded its job on the Cheonan issue, it was China that was most enthusiastic about resuming the Six Party Talks. Also, North Korea signaled its willingness to participate in the Six Party Talks. However, as South Korea and the U.S. showed no immediate interest in resuming the multilateral talks, North Korea intensified its rhetoric of 'holy war' and hinted at another nuclear test. North Korea's National Defense Commission released a statement on July 24 that Pyongyang would "initiate a holy war of retaliation based on nuclear deterrent forces at a necessary time of our choosing," calling the series of South Korea-U.S. military exercises an "obvious act of provocation to militarily crush North Korea." And the Choson Sinbo newspaper, a North Korean mouthpiece in Japan, on July 26 threatened another nuclear test, saying that the North "regards a nuclear test as an essential procedural requirement to gain a nuclear deterrent."

If North Korea conducts another nuclear test, the Obama administration as well as the MB government will find themselves in a really difficult situation. Then, the prospects for denuclearization of the Korean peninsula will become very dark. The problem is that neither the U.S., nor South Korea, nor North Korea is likely to change course. The Cheonan issue is becoming a big obstacle to inter-Korean relations, the U.S.-DPRK relations, and the Six Party Talks.

The Cheonan Dilemma in Truth Finding: Reinvestigate or Ignore Critics?

Since the JCMIG announced its investigation results on May 20, North Korea vehemently denied its involvement in the Cheonan sinking. While the South Korean government has been demanding North Korea's formal apology and implementation of preventive measures, the North Korean regime has been requesting to send a team of their own experts to examine the case. However, the most serious challenge to the credibility of South Korean government's investigation results did not come from North Korea but from within South Korea. If it was just North Korea that denied its own culpability, that would not have been a big problem because North Korea is well known for its denial of past terrorist attacks such as the bombing of a KAL airplane and the Rangoon terror attack on South Korean ministers. The problem was not just usual conspiracy theories. Numerous legitimate questions have been raised by various experts and scientists. Also, to the embarrassment of the MB government, the Russian experts team, which was invited by South Korea, has reportedly casted serious doubts on the JCMIG's findings.

First, important questions have been raised about whether the fragments of a torpedo found near the sunken ship are really from a North Korean torpedo. The JCVMIIG claimed that the torpedo fragments had the same dimensions as a torpedo drawing in a North Korean munitions pamphlet, but later it was found that the dimensions did not match. The JCVMIIG admitted its mistake and presented another torpedo drawing from a North Korean munitions CD, saying that it was actually a CD, not a hard copy of pamphlet, that they had obtained.

This explanation raised suspicion that another torpedo drawing could be easily made by anyone from a CD.

The “No. 1” ink mark which was presented as another piece of evidence was also seriously questioned. How the ink mark could survive the enormous heat of explosion, while the paint on the outer surface of the torpedo did not? This is a mystery because ink has a lower boiling point than paint (Suh & Lee 2010). Also, the degree of corrosion seems to indicate that the torpedo parts were under the water for a much longer time than 50 days. An independent experiment showed that the degree of corrosion of similar materials under the sea in 50 days was much lighter than that of the torpedo fragments.

In addition, the investigative team representing three journalist associations has found that the distance between the location of the Cheonan explosion and the location where the torpedo fragments were found is much farther (about 400 meters) than the JCMIG indicated (30-40 meters). It is hard to explain why the torpedo fragments were found from such a distance and how the two fragments flew the long distance together.

Secondly, the evidence of a torpedo explosion is weak. Suh & Lee (2010) argue that the “outside explosion” scenario is inconsistent with the damages sustained by the Cheonan because the recovered ship, and survived and deceased soldiers’ conditions bore no signs of having been affected by a shockwave. Also, serious scientific questions have been raised about whether adsorbed materials found from the ship and the torpedo indicate explosion. Experiments conducted by Seung-Hun Lee, a Korean-American physicist at the University of Virginia, contradict the JIG’s claims. Experiments carried out independently by Panseok Yang at the geological sciences department of the University of Manitoba suggest that the adsorbed material must be from old, corroded aluminium, not from explosion (Lee & Yang 2010).

Another inconsistency of the JCMIG’s explanation was confirmed regarding the transformation of the screw of Cheonan. In response to the critics’ argument that the transformation of the screw is more consistent with the story of being stranded than the story of bubble-jet explosion, the JCMIG had argued that sudden stop of Cheonan due to outside explosion could cause such transformation and presented an analysis of simulation as supporting evidence. However, the civilian member of the JCMIG who did the simulation admitted that the simulation cannot explain the transformation of the screw. In addition, it was revealed that the JCMIG had been concealing the existence of damages of the screw, which could be more consistent with the story of being stranded than the story of outside explosion.

Another controversy surrounded the existence of a torpedo-explosion-induced water column. JCMIG’s evidence is that a sentry on the shore of Baekryong-do witnessed an approximately 100-meter-high “pillar of white flash” for 2~3 seconds, but critics point that no survivors from the Cheonan saw a water column and that the direction of the “pillar of white flash” from the sentry did not match the direction of the Cheonan.

An important question was reportedly raised by the Russian finding of the mismatch between the time of explosion and the time when the CCTVs had stopped. In response to the Russians' finding that CCTVs in the Cheonan stopped about five minutes before the announced time of explosion, the Defense Department of South Korea said that the CCTVs recorded the wrong time and that they stopped only one minute before the explosion. It is still hard to explain why the CCTVs mysteriously stopped before the explosion.

Thirdly, even if the torpedo fragments were from a North Korean torpedo and the Cheonan sank due to outside bubble-jet explosion, it does not necessarily support the JCMIG's claim that a North Korean submarine sneaked to the area by detouring through a deep sea and fired a torpedo against the Cheonan. If North Korea's submarine made a planned, deliberate attack, then there should be serious investigation as to how North Koreans knew the Cheonan's location in advance, including the possibility of spy infiltration and leakage of military secret. If South Korean government captures a North Korean spy in connection with the Cheonan, it will greatly strengthen the evidence for North's planned, deliberate attack. However, if South Korean government fails to seize a North Korean spy and does not hold the military accountable for the information leakage, it will cast doubt on the accusation of North's planned attack.

If a North Korean submarine happened to encounter the Cheonan without prior knowledge of its location, then there should be investigation of why and how the Cheonan failed to avoid the attack or to attack the submarine first. In either case, the captain of the Cheonan and the military leadership should take responsibility. However, they were rewarded instead of being held accountable.

Last, but not least, there were problems concerning the transparency of the investigation. The military and the JCMIG did not disclose important information such as communication records and navigation routes of the Cheonan. They even hid and lied about some information such as recording of time in CCTV images and TOD images of the warship sinking. The JCMIG did not release the full report but a seven-page press release. They disclosed only part of the severed surface and damaged parts critical to investigation immediately after recovery so that the extent of real damage could not be determined. While the JCMIG claimed that it was a multinational team, the role of the foreigners as well as who they are is unknown.

Also, disturbing was the authoritarian attitude of the military. The military sued for defamation Dr. Park Sun-won, a former NSC(National Security Council) member and currently visiting researcher at the Brookings Institute in the US, Shin Sang-cheol, civil member of the JCMIG recommended by Democratic Party, and many citizens who had raised doubts over a torpedo attack.

In summary, JCMIG's accusation of North Korea for torpedo attack is based on shallow, inconclusive circumstantial evidence, and JCMIG has been unsuccessful in answering

numerous doubts and questions. Of course, the lack of conclusive evidence does not mean that North Korea is not responsible for the Cheonan. The problem was MB government's hasty decision to regard the inconclusive, circumstantial evidence for North Korea's involvement in the sinking of the Cheonan as the firm, uncontroversial evidence.

In retrospect, the MB government could have chosen to spend more time for a thorough investigation even if that would delay the announcement of investigation results after the June 2 local elections. This choice would have reduced the suspicion of political use of the issue. Another possible choice was to demand the North to either admit its responsibility or to agree to a joint-investigation based on the circumstantial evidence for North Korea's torpedo attack. This choice could have the advantage of holding North Korea accountable if the joint investigation found firm evidence of its culpability. Also, this choice could have minimized the damage to the MB government even if the joint investigation found North Korea's innocence.

For whatever reasons and motivations, the MB government did not choose these more prudent options. By claiming that North Korea's culpability is an unquestionable truth, the MB government not only raised its stakes in the credibility of JCMIG's investigative findings but also made itself vulnerable from any mistakes and errors in them. If it finally turns out that North Korea's torpedo attack was not a cause of the Cheonan's sinking, it will seriously damage the MB government. The problem is that the credibility of JCMIG's findings is increasingly being challenged and that even suspicions of fabrication of evidence are growing, while North Korea denies its involvement and demands its own investigation.

The Case for Engagement

Although the MB government declared North Korea as the culprit for the Cheonan sinking, its efforts to punish the North through its own sanctions as well as diplomatic means have been unsuccessful. As the U.S. chose to increase pressures on North Korea, the latter responded with the threat of another nuclear test. In the meantime in South Korea, not only domestic support for its policy has waned but also public skepticism and experts' doubts about the accusation of North Korea for its torpedo attack have increased.

If South Korea and the U.S. do not change course, North Korea is likely to carry out its third nuclear test. That will put South Korea and the U.S. in a tremendously difficult situation. If they stick to the principle of not rewarding bad behavior, then the Six Party Talks will be dead. If they decide to resume the Six Party Talks after the North's third nuclear test as they did after its first nuclear test, then they will be criticized for capitulating to Kim Jong-il. Now is the time to reconsider the strategies toward North Korea.

One could argue that it is impossible to change the policy of the North Korean regime and the Six Party Talks or any engagement policy will be fruitless. It could be argued that the best policy is to strengthen sanctions against the regime, hoping for its collapse. It could be further

argued that the North's warning of another nuclear test is bluffing or that the U.S. and South Korea should not capitulate before such threat. In fact, it could be argued, the Cheonan incident has given a good excuse to further intensifying sanctions and pressures against North Korea. This position is equivalent to the U.S. approach under George Bush's first term.

The problem with this position is the failure to learn from past failures and reliance on wishful thinking about the collapse of North Korea. We have learned that sanctions have not been effective as a means of forcing North Korean regime to change its policies (Haggard and Noland 2009). We saw that the North's warning of the second nuclear test was not bluffing. Also, there is a danger of North Korea's exporting of nuclear technology or nuclear weapon to other countries or terrorist organizations. We've also seen that North Korean regime has been resilient to internal and external shocks. Another problem with this position is the lack of consideration of negative consequences of the North Korean regime's collapse for South Korea. Not only the Chinese but also South Koreans, except for hard-core conservatives, have reasons for fearing sudden collapse of North Korea.

Hence, engagement and the resumption of the Six Party Talks is the only hope, although there is no guarantee of success for this approach either. Skeptics point out lots of problems with the engagement approach. However, it is at least worth to try this approach for the following two reasons, among others.

First, skeptics argue that Kim Jong-il will never abandon nuclear weapons. However, it is possible that North Korean leaders understand that it is to their interest to denuclearize the Korean peninsula, including both the South and the North. Denuclearization of the peninsula and normalization of relations with the U.S., the central elements of September 2005 Agreement of the Six Party Talks, are not only to the interest of the U.S. and the other four parties but also of North Korea. Even if North Korea manages to hide a few nuclear bombs, it will still be much better to halt and permanently disable the existing nuclear programs of North Korea than to allow it to continue to develop their nuclear programs with additional tests.

Secondly, perhaps now is the best opportunity to conclude the deals with North Korea. There were lost opportunities towards the end of the Clinton administration and towards the end of the Bush administration. In particular, the collapse of Six Party Talks surrounding the issue of verification at the end of Bush's term disappointed proponents of engagement. Apparently, North Korea waited for the new U.S. administration and then tried to test the new administration with the rocket (missile) launch and the nuclear test in the spring of 2009. Now the North Korean regime seems to find the urgent need to resume the bilateral talks with the U.S. as well as the multilateral talks, probably because economic and humanitarian conditions are so dire in North Korea. Perhaps they have learned a lesson that delaying is not necessarily to their benefit. In addition, Kim Jong-il may have incentives to conclude deals quickly due to his health conditions. Also, Obama administration is under pressure to show progress in foreign affairs and North Korea is increasingly posing a great threat of nuclear

proliferation.

Thus, the international politics in the aftermath of the Cheonan incident pose a great danger of intensifying tensions on the one hand, but may also provide a good opportunity of concluding deals to fulfill the September 2005 agreements.

Two Options in Engagement Approach for South Korea and the United States

In order to improve the prospects of denuclearization of the Korean peninsula as well as North Korea's change toward opening and reform, two options in the engagement approach can be considered: "forget about it and move on" vs. "get to the bottom of it." The difficult problem is that engagement approach will require considerable political capital for both MB and Obama, given the lack of sufficient support for such strategy. Let me discuss how the MB and Obama administrations might overcome this difficulty in either of the two engagement approaches. As South Korea and the U.S. showed consistent responses to the Cheonan incident in close consultation, the future strategies also need to be closely coordinated.

1) Forget about it and move on:

The first thinkable strategy is to forget about Cheonan and move on toward resuming of Six Party Talks and improving inter-Korean relations. Once South Korea and the U.S. make this choice, North Korea and China are likely to respond positively. This decision should not be made too late, that is after North Korea makes another provocative action like another nuclear test. Either South Korea or the U.S. may publicly announce its new approach first, but there should be close consultation and coordination between the two governments.

The problem is that this kind of policy change requires bold political leadership and could be vulnerable to criticism. In particular, Obama and Clinton will be vulnerable to Republican criticism of being weak towards North Korea and rewarding bad behavior. For the Obama administration this kind of criticism will be painful ahead of mid-term elections, and Republicans could exploit this issue for electoral gain. President Lee will also face criticism from his conservative base. Hard-core conservatives will be disappointed and feel betrayed by the President. However, it might be easier for President Lee to change course than for President Obama because there will be no major elections until the spring of 2012 in South Korea.

MB could start with signaling a new approach in his Liberation Day (August 15) speech. Resuming humanitarian aid, especially provision of surplus rice, to the impoverished North without conditions could be a starting point. Kaesong will be a point of interest to both Koreas. Resuming the Mt. Keumkang tours, with appropriate apology from the relevant (not necessarily the highest level) North Korean authorities about the killing of a South Korean tourist and measures to prevent such tragedies from happening again, will greatly enhance the mood for inter-Korean cooperation. With proper progress in the Six Party Talks, an inter-

Korean summit between Lee Myung-bak and Kim Jong-il could be considered.

The Obama administration could start with a bilateral contact with North Korea through New York channel and send a high profile presidential envoy to ask the North to release Mr. Aijalon Mahli Gomes, an American who has been held by North Korea for illegally crossing the border and is reported to have tried to commit suicide. Resumption of the Six Party Talks may require different strategies from those under the Bush second term. Rather than proceeding step by step with the principle of “commitment for commitment, action for action” without a timetable for the conclusion of the final deals, it may be more desirable to start with an agreement to a timetable toward the finalization of “denuclearization, normalization between North Korea and the United States, the subject of the provision of light water reactor to the North, and a permanent peace regime” as well as strict measures for verification of denuclearization. It would be even better if the timetable includes normalization between North Korea and Japan, but this could be delayed for a certain time. This kind of broad agreement could be reached through Barack Obama-Kim Jong-il summit, which could be preceded by Hillary Clinton’s visit to North Korea and meeting with the Dear Leader.

Whether MB or Obama takes initiative first, there should be close consultation between the two and the other party should follow suit in a short time. Close consultation and coordination between the two leaders will help persuade the skeptic public and minimize the political damage from the conservative attack. Also, early agreement to a timetable for ambitious finalization of difficult deals will help boost public support for the Six Party Process. Mere resumption of the Six Party Talks, followed by a stalemate without much progress, will likely further erode public support for the process, so it will be important to have sufficient prior dialogue and negotiations before officially resuming the talks.

2) Get to the bottom of it:

A big problem with this approach is the difficulty of avoiding the Cheonan issue. On the one hand, it is difficult for South Korea to drop the demand for North Korea to admit its culpability and to apologize. On the other hand, North Korea has been denying its responsibility and requesting to examine the wreckage of the Cheonan. Also, there are increasing calls for parliamentary investigation of the incident from the NGOs as well as the opposition parties within South Korea.

Perhaps, it could be a best strategy to agree to form a North-South joint group or a multinational team to reinvestigate the cause of the Cheonan’s sinking. Since North Korea is accused of killing 46 South Korean sailors by launching a torpedo attack against the Cheonan, a violation of the Korean War Armistice Agreement and the Basic Agreement between the North and the South, it is logical to jointly investigate the incident. In this regard, the talks between the US-led UN Command and North Korean Military could be an important venue of problem solving. The two sides could agree before starting the investigation that North

Korea will apologize and punish those who were involved in the attack if it turns out that North Korean attack caused the sinking of the warship and that South Korea will apologize if North Korea's innocence is confirmed. In order to make the investigative team effective and objective, experts sent from two Koreas, the U.S., and China could form a core and additional members from Russia and other countries that were represented in the JCMIG could be invited. Both Koreas should fully cooperate with the investigation by allowing access to necessary information.

This solution can be attractive to both Korean governments, because apparently they both seem to believe in their claims of culpability and innocence, respectively. If North Korea drops their demand for reinvestigation, it will only increase the credibility of South Korean government's accusation of the North. If South Korean government does not agree to a joint investigation, the suspicion about the integrity of the JCMIG will further increase.

One of the merits of this approach is that both sides can save face. If North Korean torpedo attack is confirmed, then North Korean regime will suffer from international criticism but they may respond by punishing some directly involved navy officers. If North Korea is confirmed innocent, then South Korean government and military will be criticized but at least they will not be accused of fabricating the whole evidence.

Another merit of this approach is that resumption of inter-Korean dialogue, bilateral talks between North Korea and the U.S. and the Six Party Talks could take place at the same time. Also, engagement efforts combined with joint investigation will be less vulnerable to criticism from the hard-core conservatives within South Korea because it could be argued that joint investigation is a way of proving the culpability of the North.

Conclusion

Regarding the two possible engagement approaches I have presented above, I expect both critical and skeptical responses. Any position that advocates engagement, especially in the aftermath of the Cheonan incident, is vulnerable to criticism. I could be accused of being too weak on the horrible North Korean regime and giving too much weight to the conspiracy theories on the Cheonan. Even those who acknowledge the merits of the engagement approach may think my proposals unrealistic at this moment. They may think that neither the conservative MB government nor the Obama administration will consider changing course so radically.

First, let me be clear. I have no intention to defend Kim Jong-il regime and its "military first politics." I am no less concerned about the miserable lives of North Koreans under the totalitarian regime than those hard-core conservatives in South Korea. I don't think, however, that we should liberate North Koreans through another war. I believe that an engagement approach, in combination with appropriate sanctions, has a better chance to induce North Korea's policy change toward opening and reform than sanctions alone or sanctions-centered approach.

Agreements with North Korea about denuclearization and normalization should be combined with not only economic incentives package but also strict verification measures and options of sanctions and/or retreat of economic benefits in case of North Korea's violation of the agreements. What I want to stress is that we should not avoid negotiating and reaching agreements with North Korea in the fear of its cheating on the agreements. Instead, we should make it sure that North Korean leaders will find it to their interest to faithfully follow the agreements with appropriate carrots and sticks.

Regarding the possibility of the MB and Obama administrations to take either of the two engagement approaches I have laid out, I am neither optimistic nor pessimistic. The recent actions and remarks from both governments seem to support pessimism. However, let me point out some grounds of optimism.

Recall that the MB administration likes to define itself not as conservative but as centrist – pragmatist. On the one hand, the MB government's North Korea policy tried to accommodate conservative demand to be strong at the North Korean regime and to pursue "reciprocity" rather than "unilateral giving" in inter-Korean relations. On the other hand, the MB government also signaled its willingness to continue engagement approach, albeit on the condition of denuclearization of the North. In fact, the MB government's North Korea policy has oscillated between hawkish and conciliatory, and before the Cheonan incident there were signs of improving inter-Korean relations and even a possibility of another inter-Korean summit. Hence, it will be no big surprise if President Lee makes another change in North Korea policy.

Also, it is possible that President Obama and Secretary of State Clinton realize that denuclearization of North Korea could be a great achievement of the administration and might be much easier to accomplish than any of the other big foreign policy agenda including Afghanistan, Iran, and Israel-Palestine conflicts. Although there may not be sufficient support for engagement approach toward North Korea, there are calls for resuming bilateral talks with the North and the Six Party Talks. Recently, Senator John Kerry, chairman of the Senate Foreign Relations Committee, called for high-level dialogue with North Korea, warning that "strategic patience" should not become "strategic indifference."

Now is the critical time for the denuclearization and establishment of permanent peace regime in the Korean peninsula. There is a great danger of escalating tensions, followed by North Korea's third nuclear test, followed by a total breakdown of the Six-Party Talks. Ironically and hopefully, however, the Cheonan dilemma may well provide a great opportunity to accomplish the long-anticipated denuclearization of North Korea and the peace regime in Northeast Asia.

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Session 2 (14:00 ~ 16:00, Aug 6th)



**“The Status of the Six Party Talk Process:
Chinese and American Perspectives”**

Chair:

**MOON Chung-in
(Yonsei University)**

Panelists:

Donald Gross (Albright Stonebridge Group)

Stephan Haggard (UC San Diego)

JIN Canrong (Renmin University)

Spencer H. Kim (Pacific Century Institute)

Gen. PAN Zhenqiang (China Reform Forum)

T.J. Pempel (UC Berkeley)

The Way Forward: Six Party Talks, a Peace Regime, and Regional Security Architecture in Northeast Asia

Donald Gross
Albright Stonebridge Group

In the U.S. foreign policy community, permanent peace arrangements in Korea are normally considered a means for helping to resolve the nuclear issue with North Korea. Advocates of a peace regime, including myself, have generally embraced the view that if South Korea and North Korea could reach a comprehensive settlement of outstanding security issues, with the assistance and participation of the United States and China, this settlement would effectively resolve the nuclear issue and lead to the creation of a forum for multilateral security cooperation in Northeast Asia.

Two assumptions underlie this view: 1) the U.S. government would adopt a “comprehensive approach” to resolve the nuclear issue with North Korea; and 2) the Six Party talks would evolve into new multilateral security mechanism for the region. Because it now appears that neither of these assumptions is correct, a fresh approach which acknowledges permanent peace arrangements and a new regional security forum as explicit policy goals and implements a strategy to reach those goals seems warranted.

Reassessing Earlier Assumptions

Let me explain why I consider these assumptions to be invalid. It is now apparent that the Obama administration, which I supported as an Asia policy advisor to the Obama campaign, is deeply uncomfortable pursuing diplomatic negotiations with North Korea. A high-level U.S. official was recently quoted in the New York Times as saying “we’re out of the inducements game” in dealing with Pyongyang. Obama’s top security advisors believe the U.S. diplomacy carried out with North Korea from the early 1990s through the end of the George W. Bush administration was seriously flawed. They viscerally oppose efforts by the United States, South Korea or other countries to give material benefits to North Korea in exchange for steps toward denuclearization. They take the position that the precondition for serious negotiations with North Korea on broader security issues is Pyongyang’s abandonment of its nuclear program.

These policy views of Obama security advisers have been evident in the U.S. approach of squeezing North Korea as hard as possible through tough enforcement of UN sanctions without offering any new incentives. The administration’s current mind-set is that if the international community puts enough pressure on Pyongyang through these sanctions and related measures (including joint military exercises), North Korea will cave in to U.S. demands.

The Obama administration is also totally focused on the nuclear issue in North Korea to the exclusion of broader security issues. Their narrow view was recently reflected in a Task Force report of the Council on Foreign Relations, published in early June. The CFR report, which can be understood as setting forth politically-acceptable “mainstream” views, gives the

following priorities for U.S. policy toward North Korea in order of greater to lesser importance. According to CFR, U.S. priorities should be to: 1) prevent horizontal proliferation – the spread of nuclear technologies possessed by Pyongyang to other countries or terrorist groups; 2) stop vertical proliferation – particularly North Korea’s efforts to develop the capability to deliver a nuclear warhead on its missiles; 3) denuclearize – not allowing North Korea to acquire status as a nuclear weapons state which would set a “worrisome precedent” for other states that might consider challenging the nuclear nonproliferation regime; 4) plan for contingencies – so the U.S. will be prepared to face potential North Korean instability, which could result in refugee flows and loss of control over nuclear weapons; 5) promote engagement – by using “expanded educational exchanges and broadened access to information” to expose North Korea’s people to the outside world; and 6) improve the situation for the North Korean people – relying on U.S. humanitarian assistance and other measures to improve human rights conditions inside North Korea.

The CFR report doesn’t mention the value of either achieving permanent peace arrangements on the Korean peninsula or inaugurating a new forum for multilateral security cooperation in Northeast Asia. Its approach to “engagement” is especially telling. For the authors of the CFR report, engagement doesn’t signify negotiating with North Korea. Engagement is rather a means by which, in the words of the report, “the North Korean people will see beyond the lies iterated by their leaders and insist on North Korea’s integration with the rest of the world.” In other words, without putting too fine a point on it, engagement from CFR’s standpoint now means fomenting dissatisfaction with North Korea’s leadership, in order to bring about regime change.

My second previous assumption – that the Six Party talks would evolve into new multilateral security mechanism for the region – seems equally as flawed as the first assumption that the U.S. would adopt a comprehensive approach to negotiations with North Korea. At this writing, whether the Six Party talks will ever reconvene for a new round of negotiations is unclear. Even if they do manage to meet, as we all hope, whether the parties can negotiate an end to North Korea’s nuclear program is even more questionable. Right now, South Korea and the United States have vowed not to join a new round of negotiations until the Cheonan issue is fully settled to their satisfaction. For South Korea, this means North Korea must apologize and admit its guilt for sinking the Cheonan. For the United States, this means, in the words of Ambassador Sung Kim, that “if North Korea is found guilty of attacking the Cheonan, the future of the Six Party talks will be determined only after the five other members discuss their joint countermeasures.” In other words, for the U.S., which endorses the findings of South Korea’s investigation, the parties must first take adequate countermeasures against North Korea for sinking the Cheonan, before the U.S. will return to the talks.

Now that China and Russia have both opposed identifying North Korea as the party that attacked the Cheonan in the July UN Security Council statement, it appears that South Korea and the U.S. will gradually find a way back to the Six Party talks, without either the apology and admission of guilt that Seoul seeks or all the countermeasures the U.S. would like to impose.

Even if the Six Party talks do reconvene, however, recent events have demonstrated just

how fragile they are. It is no longer possible to accept the logic that these negotiations will achieve a successful diplomatic outcome and that such an outcome would allow the Six Party talks to evolve into a new multilateral security mechanism for Northeast Asia.

Moving to a New Strategy

I believe we need a new strategy if we are, in the words of this panel's topic, to find a way forward toward a peace regime on the Korean Peninsula as well as a regional security architecture. We can no longer rely on the Six Party talks as the primary instrument to achieve these goals. Even if the nuclear negotiations make little or no progress, we should move toward permanent peace arrangements and an organizational structure for regional security cooperation because these two goals are extremely important for their own sake.

The basic strategy I suggest is not complicated and emerges out of the recommendations of an Atlantic Council report I worked on several years ago with Ambassador Jim Goodby and General Jack Merritt, among others. I believe South Korea and the United States should propose a series of meetings of foreign ministers of the countries involved in pursuing a regional security dialogue in Northeast Asia – South Korea, North Korea, China, Japan, Russia and the United States. The main purposes of these meetings would be to discuss – not negotiate – a comprehensive settlement for the Korean peninsula as well as to form the nucleus of a new forum for multilateral security cooperation.

The foreign ministers would oversee ongoing discussions of new issue-specific working groups that would report to the foreign ministers. One of the working groups would concentrate on the elements of permanent peace arrangements for the Korean Peninsula. Other working groups could focus on increasing cooperation among the parties on energy security, agriculture, development financing, and transportation among other issues. Any countries with an interest in a specific issue could join each working group. No country would have a “veto” over the creation of a working group that other countries would like to establish. To facilitate the work of the foreign ministers and working groups, the foreign ministers should support the formation of a new administrative mechanism to strengthen coordination and communication on regional issues.

Assessing Political Feasibility

Before explaining further details of this strategy, it is important to address some questions about political feasibility that I am sure will immediately arise. The first question is likely to be if the U.S. and South Korea have severe doubts about participating in a new round of Six Party talks, why would they ever support meetings of foreign ministers on permanent peace arrangements and other regional issues as a way of building a new multilateral security organization? I believe they would do so for two reasons: 1) the goal of this effort would be to create a regional dialogue – a discussion or a “talk shop”, as some might term it – on critical security issues and not to negotiate either a peace regime or other specific cooperation agreements; and 2) both governments are on record as strongly supporting more multilateral cooperation in Northeast Asia. The Obama administration has notably continued to emphasize the importance of multilateral diplomacy in contrast to the unilateralism of the George W. Bush administration.

One related question is whether South Korea would support an arrangement that allows Japan and Russia to offer their views on permanent peace arrangements in Korea. My answer is that Japan and Russia are interested parties and their views should be understood and taken into account by South Korea and the U.S. in negotiating a peace regime – even though both Seoul and Washington will likely insist on limiting the participants in a future negotiation to South Korea, North Korea, the United States and China.

But I understand the skepticism about my proposal. One could even go so far to say that the last thing President Myung-bak Lee and President Barack Obama are thinking about right now is seeking a comprehensive settlement in Korea and laying the groundwork for a new organization for multilateral security cooperation. Both presidents are focused narrowly on the nuclear issue and ways of applying increasing amounts of pressure to North Korea to force it to denuclearize. They're worrying about a possible succession crisis in North Korea and what to do in the event the regime in Pyongyang collapses. They're very upset with China for effectively preventing the United Nations Security Council from condemning North Korea by name in its recent statement concerning the Cheonan. They're anxious about China's increasing influence over North Korea and about what that may mean for the future.

So I concede that the optimal way of moving forward – an ongoing series of meetings of foreign ministers who oversee working groups of government officials on critical issues – may not, in fact, be possible at this point. What's the fall-back strategy? The best alternative would be if the respective governments through their foreign ministers would support the launch of a series of track one-and-a-half or track two meetings, organized by non-governmental organizations (NGOs) with extensive Asian networks (such as the Council on East Asian Affairs or the Northeast Asian Cooperation Dialogue), to carry out the activities I've described previously. In the event that the governments and their foreign ministers do not want to even do that much, we would need to rely on NGOs to initiate the track one-and-a-half or track two meetings on their own.

The Way Forward

As the great boxer, Mohammed Ali, once said, the important thing is “to keep your eye on the prize.” In this case, the prize is two-fold: permanent peace arrangements for the Korean Peninsula and an organization for multilateral cooperation in Northeast Asia. So many complicating and unexpected factors arise on a daily basis – such as the Cheonan incident and its turbulent aftermath – that policymakers are easily distracted from the pursuit of these common goals that would make Northeast Asia more secure, more prosperous and more peaceful.

By reaffirming why we seek to establish permanent peace arrangements in Korea as well as create a regional security forum, I believe we will develop the political support we need to move forward.

In the first place, offering the prospect of discussing a comprehensive settlement of all outstanding disputes with North Korea (and expressing a willingness to negotiate the nuclear issue while discussing other military, political and economic issues), would allow the U.S. and South Korea to radically improve the political conditions for the nuclear negotiations.

As the history of negotiating with North Korea demonstrates, improvements in political conditions almost always precede and facilitate agreements on security-related issues. If a comprehensive settlement on the Peninsula can be achieved, an effective denuclearization agreement would be its most critical component.

Beyond the matter of Pyongyang's nuclear weapons capacity is the reality that hundreds of thousands of combat troops, artillery and short-range missiles are still poised along the DMZ – the most heavily armed border in the world. While deterrence of North Korea is robust, North Korea has its own credible deterrent – the capability of using its forward-deployed missiles and artillery to carry out a devastating attack on Seoul. Although this mutual deterrence posture greatly reduces the chances of surprise attack or premeditated war, it increases the chance of accidental war. Fearing a possible attack, each side has an incentive to mobilize quickly, causing the other to move as rapidly as possible to take preemptive military action. Permanent peace arrangements would eliminate these conditions of uncertainty, risk and danger.

Second, but no less important, a forum for multilateral security cooperation in Northeast Asia could mitigate tensions, resolve disputes and engender all important “habits of cooperation.” By fostering communication, promoting common interests, and creating greater transparency, a multilateral forum would help manage inevitable crises and lessen the chance of military confrontation. Modeled on the Organization for Security and Cooperation in Europe (OSCE), the forum could have an agenda organized around three areas: security, economics and humanitarian issues.

I've already suggested that the main issue for discussion in the security basket should be achieving permanent peace arrangements for the Korean peninsula. The security basket could later be enlarged for the purpose of developing new region-wide transparency and confidence-building measures. Nuclear nonproliferation issues should be included as well as terrorism, plans for military modernization, and missile defenses.

In the economic basket, the parties would promote regional development, for example by discussing plans for constructing natural gas pipelines to meet pressing future energy needs as well as developing transportation infrastructure and forming an energy cooperation network. In the humanitarian basket, the parties would discuss implementing international norms of behavior including human rights standards, alleviating poverty and poor medical care, and assistance to refugees.

Finding the way forward toward a peace regime on the Korea Peninsula and a regional security architecture essentially depends on the commitment of governments and non-governmental organization to a series of principles that I know all here embrace:

- Denuclearizing the Korean Peninsula and curtailing the threat of North Korean nuclear proliferation
- Redeploying and reducing conventional forces on the peninsula to establish stable military postures on both sides of the DMZ
- Affirming a joint commitment not to use or threaten force in mutual relations
- Enhancing regional economic cooperation within the larger framework of the global economy;

- Promoting the peaceful settlement of disputes by resolving misunderstandings and preventing miscalculations
- Contributing to higher living standards of all people in the region; and
- Promoting the free movement of people, information, and ideas in Northeast Asia.

Economic Cooperation in Northeast Asia: How Institutions Might Evolve

Stephan Haggard
UC San Diego

It is important at the outset to state the obvious: the current conjuncture—mid-2010—is not a propitious time to ponder the institutional future of Northeast Asia. The North Korean regime is preoccupied with the succession. Although it has hinted at a willingness to come back to the Six Party Talks, the leadership remains ambiguous about its longer-run nuclear ambitions. The currency conversion of late 2009 is only the latest piece of evidence that the regime is moving away from, rather than towards, economic reform. Even the recurrence of serious food shortages—probably as severe as those of 2007-8—has generated only ad hoc policy adjustments, such as allowing markets to operate and citizens to hold foreign exchange.

Add to that the sinking of the Cheonan. The nuclear test of 2009 had already driven the Obama administration to adopt a strategy toward North Korea that included a strong sanctions component. Washington's unambiguous support for the Lee Myung Bak government in the wake of the Cheonan incident included new sanctions enforcement measures as well as the highly-visible effort to signal the credibility of deterrence, and of the US-ROK alliance, through joint naval exercises. A hardening of alliance commitments on both sides seems a more likely outcome of the current state of play than the creation of new multilateral institutions.

Yet the purpose of this meeting is to look ahead. The Six Party Talks will probably resume at some point. The central bargain to be struck has been outlined in the September 2005 statement of principles, and in its broad outlines is well-known to all of the parties: a verifiable process of de-nuclearization, including North Korea's return to the NPT, would be traded for a process of diplomatic normalization (with both the US and Japan), negotiations for a peace regime to replace the armistice, and some as-yet unspecified economic inducements. These inducements might include, inter alia, humanitarian assistance, a lifting of sanctions, development aid and entry into the international financial institutions. The Six Party Talks could also lay the foundation for the development of regional economic institutions, particularly through the so-called Northeast Asia Peace and Security Mechanism (NEAPSM). The purpose of this memo is to think about what such an institution might look like.

The Benefits of Engagement

A central objective of any security and peace mechanism for Northeast Asia is to integrate North Korea into the regional political economy. This aim was at the core of the Sunshine policy initiated by the Kim Dae Jung government in Korea, has been the implicit policy of the Chinese and Russian governments since the onset of the nuclear crisis, and has

been advocated by champions of “engagement” in the US as well.¹ Given that engagement has been called into question by recent developments, it is worth restating the benefits.

First, regional economic integration creates valued economic assets, physical infrastructure and trade in a potential war zone. Deeper economic integration would create cross-cutting pressures on a North Korean military strategy that has emphasized forward-deployed conventional forces. The location of the Kaesong industrial complex, the push to create rail and road linkages between North and South and the proposals at the October 2007 North-South summit for a joint economic zone surrounding the Northern Limit Line all reflect such a calculus.

Second, increased economic integration can generate broader economic stakes in political cooperation. These effects should not be exaggerated given the economically- closed and authoritarian nature of the regime. The regime is clearly hesitant about economic openness, and has largely confined its experiments with foreign direct investment to enclaves (such as Kaesong) or large-scale natural resource investments.

In a country such as North Korea, even nominally private economic exchanges can be monopolized by the state and military sector and provide fungible resources that support the regime. Nonetheless, these actors could see benefits from the access to foreign exchange such relationships bring.

A third and closely related argument for engagement is that increased economic integration is a necessary condition for the successful economic transformation of North Korea. Even more than in China, North Korea’s transformation will depend on foreign investment, trade and remittances—in effect, a strategy similar to that pursued by South Korea from the mid-1960s or Vietnam from the 1990s.

Finally, engagement has an important humanitarian component. North Korea is desperately poor, and since 2005 has again experienced severe shortages. North Korea will continue to need humanitarian assistance for some time to come regardless of what happens in the Six Party Talks (and in my view, needs it now). But viewed over the longer-run, trade and investment are a much more efficient way to solve the country’s humanitarian problems than long-run reliance on aid.

An Engagement Regime for Northeast Asia: Five Caveats

If we are to advance the cause of North Korea’s integration with the region, we must be hard-headed about what is possible even in a more favorable environment. It is therefore important to begin with five cautionary notes. A first point has to do with sequencing, a question that has plagued the Six Party Talks since their inception. A number of critics have argued that the United States (and South Korea and Japan) need to offer concrete incentives in advance of, or in parallel with, the resumption of the Six Party Talks. Whatever the merits

¹ Recent examples include the Asia Society Task Force report, *North Korea Inside Out* (2010) and Joel Wit, *US Strategy Toward North Korea: Rebuilding Dialogue and Engagement* (US-Korea Institute, SAIS and The Weatherhead East Asian Institute, Columbia University).

of such ideas—and I am increasingly dubious about them—they are highly unlikely to occur in the current political climate. Humanitarian assistance is the one possible exception: a renewal of food aid on the part of the United States might constitute the necessary goodwill gesture, and the NGO community is making the case that such a package is desperately needed. But the prospect that the US would outline a clear economic offer to North Korea in advance of an unambiguous commitment to denuclearize in the future is slim. The political constraints on US action in this regard are well-known: the fact that North Korea has “broken out” and cannot be “rewarded”; mid-term elections; a Democratic incumbent facing a Republican party looking for tactical advantage. Do not expect the US to move in advance of North Korea.

A second reservation is that an engagement regime and strategy is unlikely to have its intended effects in the absence of some signs of economic reform and opening in North Korea itself. A number of think tanks and academics in the region have advanced vision documents with respect to Northeast Asian economic integration, particularly in South Korea. But the Tumen River project (as well as the KEDO LWR project and the Rajin-Sanbong zone) provide case studies in how well-intentioned multilateral schemes can go nowhere in the absence of complementary policy changes. North Korea’s commitment to reform does not have to mirror the “Washington consensus”; China and Vietnam have both pursued successful reforms while maintaining important elements of a state-socialist economy. But providing economic assistance in the absence of a shift in North Korean policy is unlikely to garner either public or private support, could send misleading signals to North Korea, and will simply not have the desired effect.

A third caveat is that the private sector should play a central role in the integration process: through trade, foreign direct investment, private capital flows and technology transfer, including of managerial expertise. There are a variety of ways in which public sector initiatives, and even subsidies, could support private investment. Examples include multilateral assistance for the development of export processing zones and engaging South Korean institutions such as the Korea Trade-Investment Promotion Agency (KOTRA) and the Korea Ex-Im Bank in North Korea. But too many discussions of the rehabilitation of the North Korean economy have overemphasized public investment and have failed to consider the crucial complementarities between public sector investment, economic reform and the engagement of the private sector. At least some of the massive costs of modernizing the North Korean economy can be born by the private sector through foreign direct investment, as can be seen in the Orascom investments in telecomm.

A fourth reservation about an engagement regime is that it not duplicate at the regional level what might be more effectively managed through existing multilateral institutions. North Korea is in need of depoliticized technical assistance on a panoply of issues running from the mundane but critical, such as developing meaningful national statistical capabilities, through basic agricultural and health technologies, to the social infrastructure of a modern economy. This infrastructure includes policy mechanisms to: manage macroeconomic policy, including through a reform of the central bank; specify property rights and resolve commercial disputes; regulate markets, including financial markets as they emerge; establish and implement international trade and investment policies

and so on.

The possibility of a Northeast Asian Development Bank has been floated as a vehicle for undertaking these tasks. However, it would be a mistake to construct a new institution that would duplicate the activities of existing global and regional institutions in which the five other countries are already well-represented. Rather, both advice and multilateral lending will be facilitated by North Korea's entry into the World Bank, IMF, the Asian Development Bank (ADB),² and the World Trade Organization (WTO) and an expansion of the activities of those agencies that are currently engaged there, such as the UNDP, WHO and UNICEF. In our view, the sooner this happens, the better.³

One model of multilateral engagement of North Korea would be to allow the World Bank or the Asian Development Bank to play a coordinating role as the administrative arm of a consultative group. The IBRD or ADB would engage in more detailed analysis of the North Korean economy and become the repository for a dedicated North Korea fund that would initially support technical assistance and the building of local institutional capacity. These early actions would eventually support direct lending and investment guarantee activity.

A fifth caveat with respect to multilateralism is that the five parties are going to pursue their own foreign economic policies with respect to North Korea. Although a multilateral setting can be useful in demonstrating common interests among the parties—such as the significance of denuclearization—the five have clearly developed quite distinctive economic strategies toward North Korea. Even if progress is made in the Six Party context, bilateral relationships will continue to exhibit their own idiosyncracies.

Japan's policy toward North Korea since 2003 has drifted toward a full-blown sanctions regime. Further economic engagement—let alone a settlement to match that extended to South Korea in 1965--will rest on the outcome of negotiations over normalization and on the abductee question in particular.

The US role with respect to economic engagement will focus initially in removing impediments: terminating the application of the International Emergency Economic Powers Act (the successor to the Trading with the Enemy Act), removing remaining bilateral sanctions, and stopping enforcement under the three UN Security Council Resolutions (1695, 1718, and 1874). However, it is important not to raise hopes with respect to some measures labeled "sanctions": progress on the nuclear issue will not necessarily lead the US to back away from enforcement actions aimed at counterfeiting or proliferation. At some later stage,

² . It is sometimes suggested that North Korea join the ADB before joining the World Bank, since Bank membership is contingent on joining the International Monetary Fund, and ADB membership is not. However, even North Korea's potential membership at the ADB would depend on reaching a political accommodation with the US and Japan, its two largest shareholders; this is true with respect to observer status at the WTO as well.

³ . Normally members are granted observer status as a transitional status during accession negotiations. In some unusual circumstances typically involving post-conflict or new states (the Palestinian Authority, post-Khmer Rouge Cambodia, East Timor), direct lending activities began before full membership. Whatever the specific arrangements, observer status should not be exploited as a permanent mechanism to sidestep membership obligations

the US might contemplate rules of origin that would permit imports from South Korea that were processed in Kaesong or even granting North Korea normal trade relations (née most-favored nation status).

Russia has been given leadership of the working group on the new security and peace mechanism, and has historically been protective of North Korea when it is being pressured; renewed tension with the United States might revive such balancing behavior. Russian trade with North Korea collapsed in the early-1990s and has been slow to revive. But Russia could play a central role as a source of collective inducements, particularly with respect to rail links and oil pipelines, given that these investments would have larger benefits vis-à-vis the South Korean market as well.

The two central players on the economic front are China and South Korea. China's economic relations with North Korea are increasingly commercial but supplemented by a complex and opaque aid relationship. Aid acts as both a lever and a hedge against the problems China might face were North Korea to undergo destabilizing political change or a recurrence of economic collapse. It is highly unlikely that China would forego the leverage it now has by multilateralizing its assistance to the country. All discussions of joint strategy toward North Korea must start from the premise that China will continue to engage North Korea in the fashion it has to date; despite its support for multilateral sanctions, Beijing has always acted resolutely to limit the damage of those sanctions with respect to commercial transactions.

The election of Lee Myung-bak marked a more fundamental change in the strategy of engagement with the North, even with respect to humanitarian assistance. (It is noteworthy that the administration has tried to salvage the Kaesong project) But it should not be forgotten that the administration has outlined in some detail and extraordinarily ambitious economic program, contingent on full denuclearization, and reiterated this offer—albeit somewhat vaguely—in its suggestion of the possibility of a “grand bargain.” A centerpiece of President Lee's strategy was to expand export-oriented investment in North Korea, an approach very much in line with the strategy articulated here.

As can be seen from these very brief sketches, the five parties all have particular preoccupations with respect to North Korea that are not likely to be subordinated to a common multilateral approach. The United States has had to learn this hard lesson with respect to China in particular. However, there are common interests that go beyond the nuclear question and these are likely to be significant if new multilateral arrangements were to emerge. What might alternative multilateral institutions look like and how might they arise?

The Economic Dimension of a Northeast Asia Peace and Security Mechanism

Many ideas have been floated with respect to crafting new economic institutions in Northeast Asia, including most ambitiously the creation of Northeast Asian Free Trade Area. Such an agreement would clearly go far beyond a concern with North Korea. Given the weight of China, Japan, South Korea and Russia in the Asia-Pacific and world economies, such a grouping would be a major step toward wider regional integration. By finessing the

well-known political constraints associated with both the ASEAN-driven integration process and APEC, a NEAFTA would fundamentally rearrange the institutional landscape in Asia and might be stepping stone toward a Free Trade Area of the Asia-Pacific (FTAAP), which has a number of advocates in the US. Yet precisely because of its ambition, progress on such an arrangement is not likely to materialize soon and certainly not in the context of resolving the range of issues currently in play on the Korean peninsula.

If leap-frogging toward a NEAFTA is unlikely, the Six Party Talk mechanism appears better suited to a more incremental and less legalistic approach. A range of issues fit the idea of a “variable speed geometry” in which parties are not constrained to act in a common way. These include maritime and air transport, the spectrum of transborder environmental issues (acid rain, dust and haze), and technical trade facilitation, such as customs clearance and regional support for new export-oriented industrial parks in North Korea.

Two issues that deserve somewhat greater attention are ground transport and energy. Further development of the major transportation corridors in the region is an interest of common concern. Two of these corridors are directly related to the integration of the Korean peninsula: the western corridor or Gyungui line, which would not only link North and South but provide a rail link for South Korea to China; and the eastern corridor, which could link both Koreas to each other and through Russia to Europe. The investment required to rehabilitate North Korean rail infrastructure and to manage issues such as differences in track gauge are non-trivial, particularly given the degradation of North Korea’s infrastructure over the last two decades. Yet there is concrete evidence that the continental countries stand to benefit from such investments directly, and Japan would as well. The state-run monopoly OAO Russian Railways is already undertaking a project to upgrade its connections with North Korea in Khasan-Tumangang, and the lure of connecting the Korean peninsula to the Trans-Siberian Railroad is long-standing; such a connection would allow rail transport of South Korean and Japanese cargo to Central Asian and European markets. Similarly, multilateral support for an improvement of roads would get strong support from the DPRK, China, South Korea and Russia. Again, concrete evidence exists of these interests, including most recently China’s promise of support for a new bridge in the vicinity of the existing Friendship Bridge linking Sinuiju and Dandong.

Energy shipments to the DPRK have played a crucial role as a short-run inducement in the Six Party Talks. The February 2007 Joint Statement promised an initial shipment of “emergency energy assistance” in the form of 50,000 tons of heavy fuel oil (HFO) to be followed in the next phase by up to one million tons of HFO or their equivalent following denuclearization. Energy cooperation is often highlighted as one that could benefit from broader multilateral cooperation, particularly given the strategic jockeying over energy supplies in the region.

Yet the energy agenda for both North Korea and the region is by no means straightforward and is littered with potential pitfalls. The light water reactors (LWRs) promised under the Agreed Framework faced delays in construction and now stand—unfinished—as a testament to the risks of large-scale, politically-motivated projects. Nonetheless, Pyongyang could return to this issue—citing its right to a peaceful nuclear program to extract an “LWR equivalent” package. These discussions should not simply be

deferred to a later date, as the US did at the time of the September 2005 Statement of Principles; this strategy sends a misleading signal. Rather these demands should be re-channeled altogether into proposals that are more cost effective and directly complement the reform process: encouraging the development of energy markets and appropriate pricing; reducing waste; rehabilitating coal supply and transport; opening to foreign investment in the energy sector; and developing small-scale renewable energy sources.

Beyond the rehabilitation of North Korea's energy sector, attention has been given to ventures that might engage all of the parties in the region including regional power grid interconnection and the development of oil or gas pipeline networks. These ideas face daunting technical constraints (for example, with respect to interconnection), extraordinarily high capital costs, and very long time frames for public and private investment to gel. Moreover, both pipelines and grid interconnection (and even railroad and road investments) remain vulnerable to the hold-up problem: that North Korea could easily disrupt and render worthless extraordinarily large investments. However, a preliminary agreement between Russia and South Korea at the October 2008 summit in Moscow suggests that the net importers of energy—Japan, South Korea and China--might be willing to underwrite such investments in return for increased energy security.

Institutional Design

If this agenda is adequate to engage the parties, how would the proposed Peace and Security Mechanism emerge and be structured? Before the process stalled in 2008 and went dormant in 2009, US Secretary of State Rice signaled that a clean resolution of the nuclear crisis might be followed by a ceremonial foreign minister-level meeting that could endorse further multilateral steps. The Six Party Talks could itself become the new institution, with the established working groups remaining in place. The Energy and Economic Working Group would transit from its present focus on provision of heavy fuel oil to the items on the broader agenda of economic cooperation just outlined. The Committee would ideally configure itself not as a mere funnel for aid, but venue to engage North Korea as well as the other parties in a discussion of the regional economy, the benefits of a more open trade and investment regime, and the physical, legal and financial infrastructure that would support deeper integration.

Three extremely modest procedural proposals might repay the multilateral effort in a more handsome way than more elaborate schemes. The first concerns representation. Because of the dominance of foreign policy and security issues, the NEAPSM will inevitably be led by foreign ministries. Yet the major issues are normally managed by economics, finance, trade, energy, environment, and transportation ministries. The monopoly of the foreign ministries places a break on meaningful discussions, and is particularly acute on the North Korean side. The five parties should make sustained efforts to engage portions of the North Korean bureaucracy that are not typically exposed to such discussions including those involved in economic management, the environment, and transport.

A second and related challenge is how to maintain high-level interest across multiple ministries. Periodic ministerials will be needed to maintain commitment and momentum, but

senior officials already face a proliferation of international meetings. All five of the Northeast Asia powers are members of APEC, whose finance ministers meet annually in the run-up to the heads of governments meetings. Economic ministerials related to the NEAPSM might be organized around the APEC calendar in order to secure high-level involvement. As North Korea commits to a course of reform, it would profit from being a member of APEC as well and as with other multilateral institutions might initially gain observer status.

Third, it is important to think about how the private sector may be engaged as a resource. Inviting representatives of major firms to discuss their operations, capabilities and policy interests could have important educational effect, particularly for North Korea. Again, piggybacking on the APEC calendar may be valuable in this regard, since the business sectors of the five powers are already integrated into APEC-related groups and activities.

Conclusion

It is important to restate that the current environment is hardly conducive to institutional innovation. Pessimism is warranted. Yet a curious feature of authoritarian regimes is that they can change course quickly, and were North Korea to come back to the Six Party Talks, the space would open for a wider discussion of Northeast Asia's institutional architecture. Inadequate attention has been paid to the role that the Six Party Talks process might play in future economic cooperation in Northeast Asia. The parties have made quite specific commitments in this regard in the September 2005 statement of principles and in the two "roadmap" agreements of 2007, which are likely to play at least some role in structuring the future agenda.

A central objective of a NEAPSM will be the integration of North Korea into the broader regional and global economies. Such an opening is a prerequisite to the country's economic renewal and resolution of its chronic humanitarian problems. Deepened economic interdependence would also embed North Korea in relations that could reduce the likelihood of disruptive behavior.

For such an "engagement regime" to work, it cannot simply be a vehicle for aid. For such engagement to be fruitful and politically sustainable it must support reform in North Korea; if not, the mechanism could even have perverse effects. Yet there is clearly a critical role for the public sector in providing depoliticized technical assistance and financing for North Korea's crumbling infrastructure. Such arrangements should not reproduce global and regional institutions such as the World Bank or Asian Development Bank. However, functional working groups on some of the topics we have outlined—the environment, maritime transport, technical barriers to trade, road and rail links, and energy—could provide the locus for integrating multilateral and bilateral assistance with increased private involvement.

Apart from its intrinsic difficulty, this agenda poses some specific bureaucratic challenges. Foreign ministries will inevitably take the lead in developing NEAPSM, and ministerial representation will be essential if the process is to gain ground. But a meaningful economic agenda will require the involvement of other ministries. Moreover given the importance of private sector involvement in achieving sustainable economic development in

North Korea, modalities will have to be developed to integrate private sector actors when possible.

It bears underlining that the entire Northeast Asian economic agenda depends on a credible signal that North Korea is willing to undertake serious negotiations that would have as their ultimate objective the complete, verifiable denuclearization of the peninsula. In the absence of such a signal, designs for new multilateral arrangements are little more than sandcastles without the necessary strategic foundation.

Two Critical Issues in China's Foreign Policy

JIN Canrong
Renmin University

I. China-US relations: stable ties, despite a few rocky roads

The Sino-US relationship has been tumultuous since the end of last year. From December to February, the bilateral ties that were strengthened last year were hurt by a series of issues including disputes over climate, trade, Google, arms sales to Taiwan and US President Barack Obama's meeting with the Dalai Lama.

People in China were surprised by the quick and many changes on the US sides. While the tension between China and the United States is likely to remain for a while, we need to know that we should see the big picture of the relationship and don't need to be too pessimistic.

For example, China and the US had a brief argument on the issues of Iran's nuclear program and the yuan's exchange rates, but they eventually settled the problems with mutual compromises.

Both China and US are not willing to embark on the path of an all-out confrontation. There is a solid basis for, and a series of mature mechanisms, on cooperation. As the negative influences of the financial crisis persist, the countries need to work together on many issues at the present and in the future. As such, we can see the two sides showing restraint in the diplomatic rows.

The US sales of weapons to Taiwan, the presidential meetings with the Dalai Lama and the trade disputes have been three chronic irritants in the bilateral relations, while the Google and climate issues popped up only recently.

However, they've have affected part, not the whole, of Sino-US relations. Following their political logics, the two countries will all express their own stance and defend their interests. Their inevitable problems and differences will be controllable if the two sides stick to the principle of moderation in their dealings.

I believe Sino-US relations may pick up later this year, despite a rocky start. Although the mid-term election in the US in November may affect President Obama's policy on China, the impact will be limited as domestic problems will be core issues of mid-term elections. In general, Sino-US relations during the Obama administration may follow phases from a good start to fluctuations to stabilizing.

Steady bilateral relations between China and the US are vital both to China's continued growth and a peaceful and prosperous world. People need to pay special attention to the following factors important to Sino-US ties.

First, the development of China has exceeded the expectations of both Chinese and Americans and it has challenged the two sides to readjust their perspectives. China and the US must get used to the shift as soon as possible and make necessary changes to how they think and behave. This will be a difficult process for both sides.

Second, the West has initiated the globalization wave. However, for the past 10 years, its biggest beneficiaries seem to have been emerging economies, including the BRIC countries — Brazil, Russia, India and China — and the VISTA countries — Vietnam, Indonesia, South Africa, Turkey and Argentina.

By comparison, developed countries have benefited less from globalization. Therefore, anti-globalization campaigns tend to spread in some Western countries. We need to understand further how such global changes will affect Sino-US ties.

Third, isolationism seems to be picking up while US dominance is in decline. There are also uncertainties in the structure of leadership in the world. Chaos and anarchism may appear in some regions. All these will bring new challenges to the prospects of the Sino-US relationship.

Fourth, while Japan adopts a “return to Asia” policy, the integration of eastern Asian economies may accelerate. At the same time, the US will pay more attention to Asia and the Pacific.

Of course, there are also other factors that will affect bilateral ties. As the needs for further cooperation become bigger and communication mechanisms further develop, I believe that future Sino-US relations will be stable, after the two sides readjust themselves to the new realities and take proactive steps to tackle the challenges.

II. China-DPRK relations: Why China De-link the Six-Part Talk and the Bilateral Relationship with DPRK Now?

In the first round of the DPRK nuclear crisis between 1992 and 1994, China roughly remained inactive. Unlike that, China stepped in the second round crisis at the very beginning since January of 2003. From that time on, China always takes a dual-approach strategy to handle this DPRK nuclear issue. On the tactical level, China relies on the multi-lateral forum, like Four-Party Talk or Six-Party Talk, to avoid the possibility of military conflict, to control the tension and even to reduce the insecurity on the DPRK side. On the strategic level, China tries to encourage DPRK to start their reform and open-door process. The logic behind this dual-approach strategy looks like this, by controlling the tension or even reducing the insecurity on the DPRK side, it will help DPRK to start its market-economy oriented reform and open its door to the outside world, vis-a-vis, the reform and open-door will help to resolve the nuclear issue after DPRK reformed and became a “normal country”.

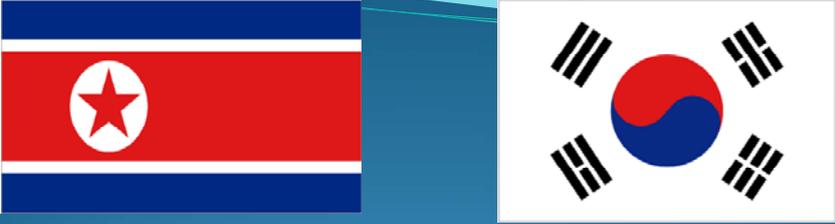
In quite a long time, China linked the progress of the nuclear issue through the Six-Party Talk with China’s bilateral relationship with DPRK. But since the second nuclear test of DPRK in the May of 2009, China de-linked the Six-Party Talk with the bilateral tie. Why the thing goes on that way?

The immediate reason is the linkage policy failed. The more important reason is the situation within DPRK deteriorated and that leads to increased uncertainty. China is forced to put the stability of DPRK over the progress of the nuclear issue. The other reasons should include the tension between South and North Korea, the stagnation of the relationship between DPRK and the USA, the impact of global financial crisis, the fluctuation of the

China-US relations, etc.

The de-linkage policy came out after a round of policy debate within China. This policy debate is a good case for analysis on China's political changes, resulting from the 30 years' reform.

In the future, China's policy goal towards the Korean Peninsula will remain the same as the following: to have a nuclear free peninsula. Also remaining same are the dual-approach strategy, the reactive style. But the specific policy will change according to the following variables: the situation within DPRK, the relationship between South and North, DPRK-US relations, China-US relations, China's domestic political situation and China's foreign policy philosophy change, etc.



Masters of Misunderstanding Masters of Mistiming



Spencer H. Kim
Pacific Century Institute

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DPRK Motivation

- **End of Cold War Robs DPRK of Strategic & Economic Depth**
- **U.S. is Existential Threat**
 - Military Superiority
 - Manipulation of “International Cooperation System” against DPRK
- **ROK Reality is Threat to Regime Narrative**
- **Regime Legitimacy Depends on “Glorious” Achievement**
 - Kim Il Sung: Defeat Japan & US, Establish DPRK, Juche
 - Kim Jong Il: “Tame” US (Peace Treaty/Normalization)? Nuclear Deterrent? Economic Progress?

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DPRK Default Mode

- Force U.S. to Negotiate Under Threat of Dire Consequences; Negotiate as “Equals”; Never Appear Weak
- Only U.S. Can/Would Destroy DPRK
- Take what ROK will give; but Prevent Social Infection

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US Motivation

- Maintain World Order
- Reign in “Rogue” States; Compliance with “Norms”
- Strong Non-Proliferation Regime
- Defense Treaty Commitment to ROK

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Prevailing View



Cartoon Image: Crazy, scotch-swilling, partying, weird, pygmy, evil, machiavellian, “brinksmanship”

Media Portrayal: Impacts policy-makers subconsciously; Difficult to “defend” or “explain” DPRK; Not good for career



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Always Somebody New

- Kanter, Gallucci, Carter, Kartman, Sherman, Perry, Kelly, Pritchard, DeTrani, Hill, Bosworth
- DPRK is a long learning/trust building curve
- Constant Subtle Impact of Cartoon Image on New Players

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Need President's Attention

- Carter/Gallucci >> Clinton >> Agreed Framework
- Sherman/Albright >> Clinton >> Missile Moratorium
- Hill/Rice >> Bush >> 6 Party Progress

- Otherwise >> Go to Default Mode

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US Default Mode

- DPRK must follow “norms” first, then get (undefined) benefits
- If behavior bad, must be punished
- No direct relations, so tough “messages must be sent” publicly
- Mobilize China to “pressure” DPRK

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ROK Motivation

- First World Economic, Political, Social Development Needs Stability
- Maintain Military Deterrence of DPRK
- Worry about Cost of Sudden Reunification
- US Alliance Gives Strategic Depth vis-à-vis China, Japan and Russia
- Emotional Attraction of Reunification
- Bitter Remembrance of DPRK Crimes

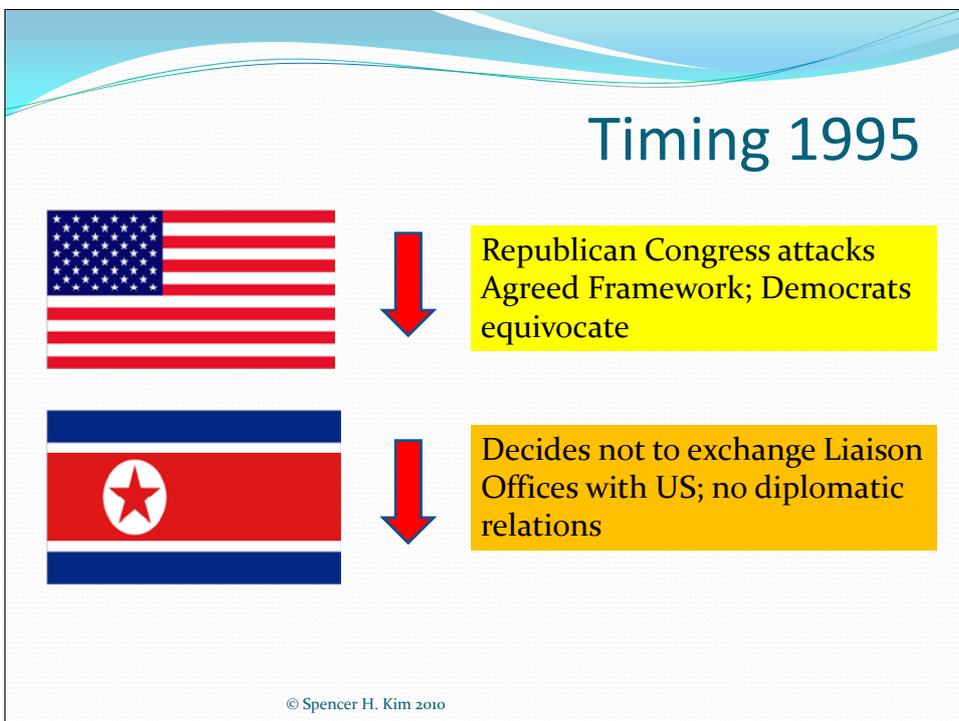
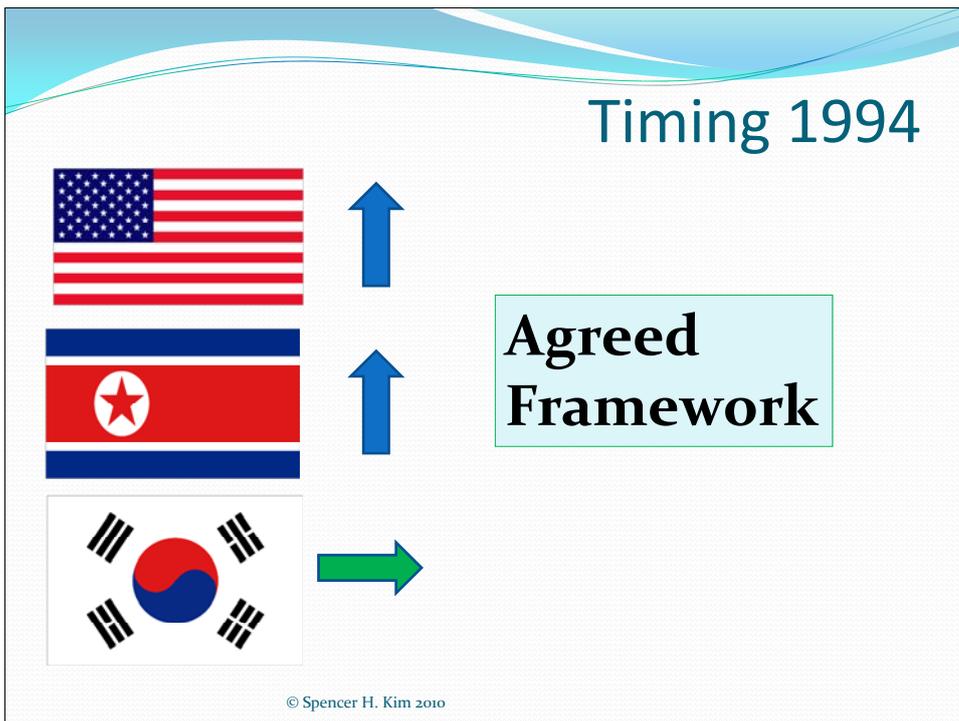
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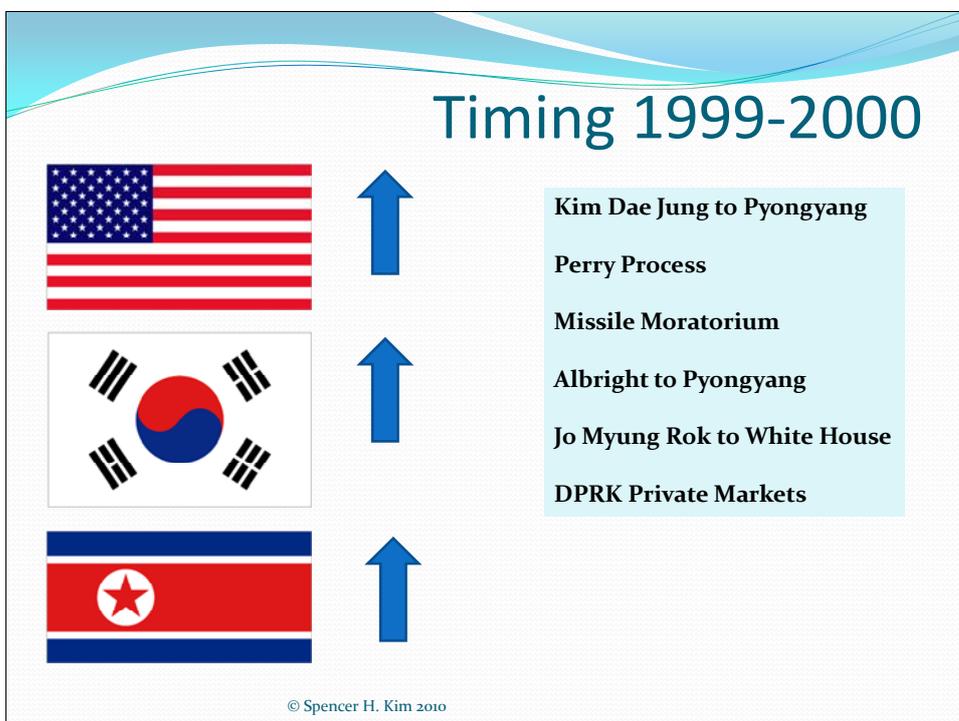
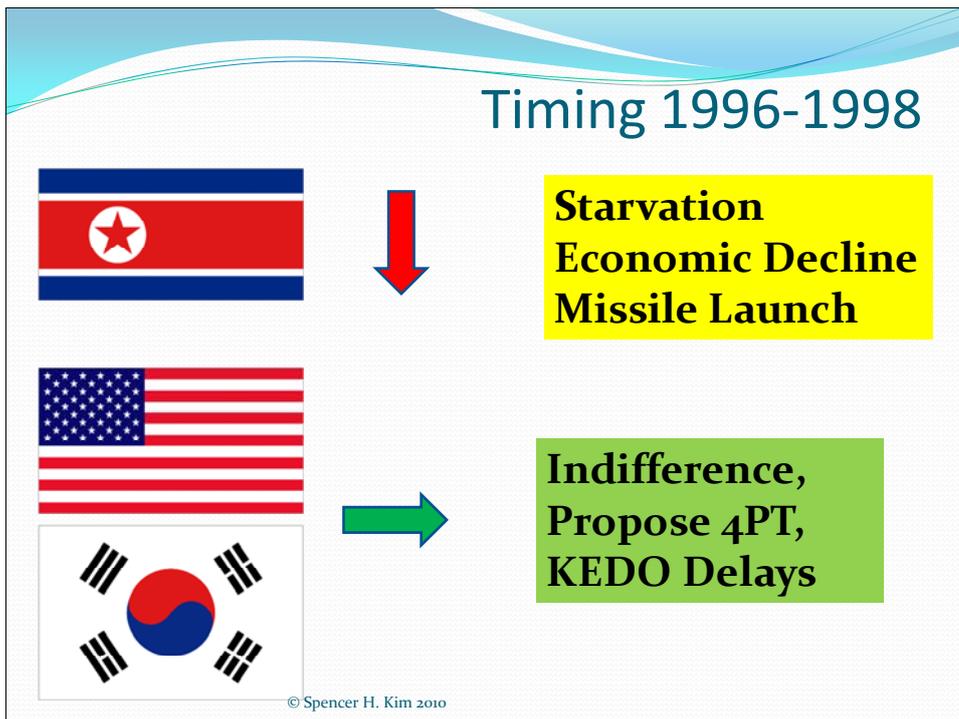


ROK Default Modes

- **Progressives:** Engage, no matter what
- **Conservatives:** Poke them in the eye whenever possible

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Timing 2001 - 2002





Announces major economic reforms based on "costs, prices and actual profits"; opens diplomatic relations with Australia, Bahrain, Brazil, Canada, European Union, Germany, Greece, Indonesia, Ireland, Italy, Kuwait, Philippines, Spain, Turkey and the UK; attends ASEAN Regional Forum; Kim Jong Il meets Koizumi; Sinuiju Hong Kong-like "Special Economic Zone"

Progress on Kaesong and Kumgang; ROK investment In DPRK; N-S Trade Increased; Divided Family Reunions









"Axis of Evil"; KDJ-Bush Meeting Fiasco; "Regime Change" talk; Enriched Uranium; Kelly Visit to Pyongyang; KEDO shut down

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Timing 2003-2004





Quits NPT
Restarts Reactor





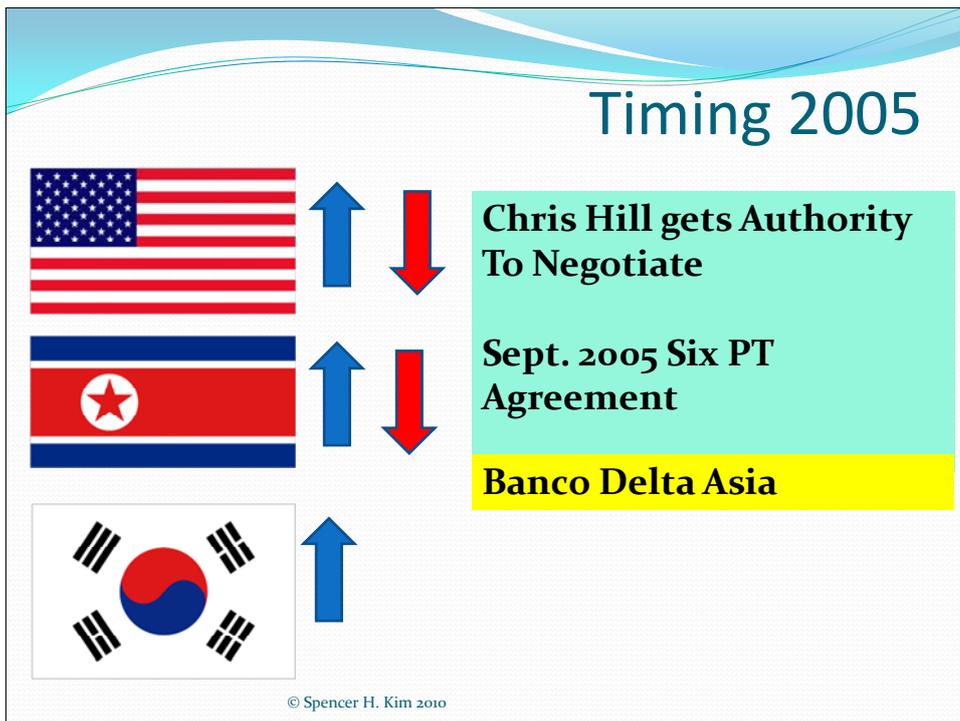
6PT – Let China Do It
More Regime Change



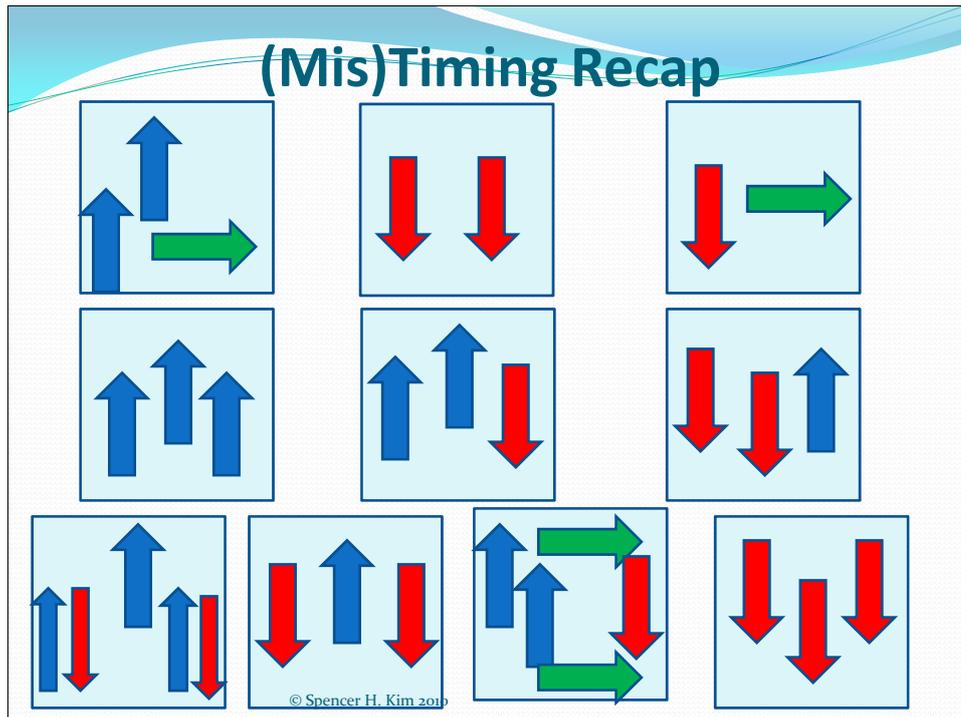


Trying to Save Sunshine

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Whither China in All This?



Rise of China...

...Biggest Story of 21st Century

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Chinese Motivation

- Economic Growth
- Geostrategic Great Power Revival
 - DPRK as Buffer to US/ROK Alliance
 - Become DPRK Banking System?
 - Dominate DPRK Economy?
 - Play Role in Succession?
 - DPRK in PRC "Sphere of Influence"?

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Chinese Veto on Reunification?



Will Korean Reunification Have To Pass Through Beijing?

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Conclusions



Pressure & “Strategic Patience” Will Never Work; China is Bottomless Pressure Release Valve



Nuclear Program Will Eventually Make DPRK *de facto* PRC Province



North-South Issues Complicated & Delicate; Take Time and Patience; No Grand Bargains; No Denuke First



If Crisis/War Avoided, Status Quo is Fine; Direction of Events OK

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Recommendations

- US name high-profile, bi-partisan acceptable negotiator willing to serve for ten years
- ROK do the same
- Two-tracks: **US-DPRK = Security Assurances, Peace Treaty, De-nuclearization; ROK-DPRK = N-S Coop, CBMs, Long-term Reunification Template**
- No central role for China
- Never break off talks for the crisis of the day

Grind it out!

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Remember Timing

Time is not on their side; best to start before KJI dies

Just fine to wait.

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Envisioning a Future Multilateral Security Mechanism in Northeast Asia: What's at Stake for the US?

T.J. Pempel
UC Berkeley

Participation in the Six Party Talks represented a deviation in style for the US. When the US typically participates in multilateral processes, it is rarely with such a key security issue on the line—in this case denuclearization of the Korean Peninsula (in the phrasing of the 6PT), or denuclearizing the DPRK (in the parlance of Washington policy makers). More frequently, the US would opt to deal with such issues bilaterally, or else would seek to mobilize a “coalition of the willing” lined up against any potential miscreant, in most cases relying on existing bilateral alliances as the starting point for such a coalition..

Today, there are widely differing assessments of how well the 6PT have worked. Many, particularly in Washington but also in the ROK and Japan, seem convinced that the talks are failing (or have failed) as a result of continued dissembling by the DPRK. The North, it is argued, has made no strategic decision to abandon its nuclear weapons program or to use the 6PT as anything more than a stalling device in hopes of extracting as much cash, aid and positive publicity as possible. The struggles over the succession to Kim Jong Il, the failure of the currency reforms, the sinking of the Choenan (and China's reluctance to condemn the North for that sinking), the increasingly strident nature of DPRK pronouncements about its refusal to surrender its nuclear capacity--all are offered as clear proof that the chances for denuclearization through the 6PT is extremely improbable. A year from now, or two years from now, such critics argue, the DPRK will still have its nuclear material, will have an enhanced HEU program, will potentially be proliferating nuclear material to countries like Syria and even Egypt, and will have a more solidly hard line regime than at present.

Advocates of returning to the process stress the success it showed in 2008-09, pointing to the closing of Yongbyon and the return of IAEA inspectors as the most tangible evidence. They typically would add that earlier confrontational policies by the US had failed, whether by getting nowhere on early demands for a complete denuclearization by the DPRK before any discussion of aid could begin, or else by freezing the BDA accounts in hopes of forcing the DPRK to adopt greater flexibility in its positions. Yet just prior to the Obama administration's victory it appeared that real progress had been made. China, moreover, has continually held out the hope for continuing to move the entire process forward, and many supporters of engagement with the PRC would stress that the 6PT provide a welcome mechanism through which such engagement could proceed. Even skeptics convinced that the DPRK is unlikely to surrender its nuclear capabilities would advocate the continuation of the 6PT for its ability to ‘ritualize conflict’ through a return to meetings—even if those meetings lack tangible ‘deliverables.’ Such a ‘ritualization of conflict’ works at least to minimize the chances for any unwelcome escalation of tensions and to build mutual confidence in the process.

My own view is that the 6 PT continue to hold out great hope for fostering a “concert of powers” in Northeast Asia. That China, Japan, the ROK, Russia and the US have all been willing to agree on the need to ‘denuclearize the Korean peninsula’ is a major security commitment that clearly defies prior Cold War divisions. To allow the 6PT to work as a venue to addressing other issues, particularly in the non-traditional security areas such as sea lane protection, migration and refugee issues, health and disaster relief and the like holds great potential for reducing overall security dilemmas among the major powers of Northeast Asia, one of the world’s most potentially troublesome geographies. Given the absence of any common enemy among these major powers, the 6PT can not be expected to serve as a security mechanism for collective defense, but it could be a mechanism for security dialogue and confidence building.

So why should the US favor any continuation of the Six Party Talks, particularly given the currently dismal state of US-DPRK relations? I think the main reasons are as follows:

- Like it or not, the US is losing its once unchallenged grip over Asia. With the end of the Cold War and with the economic and political success of most Asian countries, Asia’s self-perceived need for continual US mentorship—if that ever really existed—has weakened. And beyond Asia’s own maturation, the US has become bogged down in two wars in the Middle East and Central Asia. That preoccupation is not likely to be ended soon, regardless of the outcome of the next elections
- Asia meanwhile, in the wake of the Economic Crisis of 1997-98 and the second crisis of 2008-09, has become much more multilateralized and self-confident as a region. Driven primarily by ASEAN and the ASEAN Plus Three process, East Asia has created a series of “Asians-only” forums and processes such as Chiang Mai Initiative, the Asian bond fund initiative, the East Asian Summit, and even the Shanghai Cooperation Organization. The growing commitment of China, Japan and the ROK to the ‘plus three’ summits—including forging a permanent secretariat and working toward both trade and investment agreements—augurs well for closer ties that cut across Cold War links and that do not rely centrally on the US presences. Meanwhile, various global production networks, FTAs and EPAs have all contributed to weaving the economies of East Asia more closely together. The countries of Northeast Asia have been integral to this process with China increasingly at the core. Though they have different ultimate goals, both Japan and the ROK are also growing more positive toward Asian multilateralism. The cumulative impact is subject to inflation by its advocates: simply having institutions that hold regular meetings by no means guarantees tangible and valuable results. Multilateral institutions have by no means replaces bilateral ties, but there is no denying the growing appeal of multilateralism across the region. And despite the American penchant for results oriented institutions, there is something to be gained, as many Asians would contend, in focusing first on process.

- The security problems in Northeast Asia, both traditional security tensions and non-traditional security issues, are many and are likely to grow. Terrorism, migration, infectious disease, open sea lanes, environmental problems, narcotics trafficking, climate change, energy supply, and the like are but a few of the areas where serious problems are likely to confront Northeast Asia (and the US both in Northeast Asia and at home.) Few are amenable to national or bilateral solution. The 6PT offer one mechanism through which to address them.
- No government in Northeast Asia wants the US out of the region. The same is true of East Asia more broadly. What many governments want however is a responsible partner ready to approach problems with judicious sensitivity to their own needs and goals, rather than simply an “offshore balancer” ready to step in only during crises and then making loudly articulated and (perhaps) compelling demands on those involved. Multilateral processes allow for the regularization of contacts across a range of potential problems. The very regularity of their meetings allows participants to gain mutual trust, respect and understanding. They build habits of cooperation that in turn generate a common political capital profitably drawn on when unanticipated problems arise. Such habits do not themselves resolve the new problems, but they may help to dispel presumptions of evil intentions and deceit.

What would such a mechanism look like?

- Begin with the Six Party Talks as a logical template and the core institution for anything to come. Regular meetings at the level of Assistant Secretary may be too much to ask for given time constraints, but ongoing meetings at the level of Director General of key bureaus would be sufficient to ensure that meetings were substantive and not simply symbolic, as well as likely to spawn actual policy decisions rather than simply unread reports.
- Recognize that one of the keys to any success so far in 6PT, as well as earlier in CSCE (and OSCE), is the separation of issues into “baskets” for distinct but parallel, negotiation. Four, five or six such baskets might be needed to deal separately with the host of traditional and non-traditional security problems that confront the region.
- Accept the fact that different perceptions of national interest will automatically be the starting point for virtually all discussions. This will certainly be true if the current regime continues to rule in the DPRK. But accept too that common problems will demand common solutions; compromises by all parties—including the US--will be necessary, but the very fact of compromise can be a tool toward further problem solving.

- Be open to holding off on demanding that certain tough issues be automatically added to the agenda. Human rights, Cross-Straits problems, or open markets are almost certain to be non-starters. Commonly perceived problems such as infectious diseases or border control are far more likely to engender common interests and easier agreement on approaches.

How would such a mechanism connect to other East Asian regional bodies as well as to existing US security arrangements?

- There is no need to resolve this in advance, but in my view East Asian regionalism is proceeding through multiple bodies having diverse memberships and different functional agendas. No single body is likely to gain primacy in the short run. Any Northeast Asian Security Mechanism therefore should not be seen as a substitute for, not as competitive with, any existing forum. There is no need to rethink America's security treaties with Japan or the ROK. Current regional institutions now overlap and none challenge U.S. security alliances. One more new body need not challenge any existing arrangements.
- I would urge an openness to ASEAN (as a possible observer, for example), as well as to ARF (possibly through periodic meetings held in conjunction).

The above is but a sketch of the possibilities. Obviously many additional details would need to be addressed for such a body to be established and to function well. But it is time to think about such a body now, rather than when (or if) the current problems on the Korean peninsula are resolved. A common commitment to resuming the 6PT seems to me in the best interests of all parties.

Session 3 (16:30 ~ 18:30, Aug 6th)



**“The Way Forward: Four Party Talks, a Peace
Regime, and the Regional Security
Architecture”**

Chair:

**Stephan Haggard
(UC San Diego)**

Panelists:

CHUN Chaesung (Seoul National University)

Donald Gross (Albright Stonebridge Group)

JIN Canrong (Renmin University)

KO Seong-joon (Jeju National University)

MOON Chung-in (Yonsei University)

Gen. PAN Zhenqiang (China Reform Forum)

T.J. Pempel (UC Berkeley)

John Swenson-Wright (Cambridge University)

Peace Regime on the Korean Peninsula and in Northeast Asia

CHUN Chaesung
Seoul National University

1. Past negotiations for Peace regime

Discussion on the peace regime on the Peninsula has been absent for several years since negotiations for denuclearization of North Korea stalked. The Six Party Talks has failed to produce any results for the last two years, making the prospect for peace regime even dimmer. The past pattern of disagreements among major actors, especially two Koreas and the US, has made the process more complicated. Both South Korea and the US insisted that North Korea should completely dismantle all nuclear programs in a verifiable way first, because North Korea with nuclear weapons will change the negotiations for denuclearization of North Korea into nuclear arms reduction negotiation. Also North Korea after recognized as a nuclear power will take a more difficult position by arguing that all military threat against North Korea from the ROK-US alliance including the USFK should disappear for the realization of denuclearized North Korea. So far the position of South Korea and the US has been that without sincere efforts and advancement for denuclearization of North Korea, any discussion for peace system will be fruitless.

North Korea, on the other hand, deplors the situation where there is no trust between North Korea and the US, which makes North Korea hesitate to go for the denuclearization. North Korea has argued that only by concluding the peace treaty with the US, North Korea will be sure of its survivability and cooperate for the denuclearization of the Korean Peninsula.

This position is best expressed in a statement in 2005 by the spokesman of Ministry of Foreign Affairs, DPRK: “With the transformation of cease-fire into peace system, the anti-DPRK US policy which is the origin of the nuclear crisis will disappear, realizing the denuclearization of the Korean Peninsula. Then, conclusion of the peace treaty is the inevitable road to the denuclearization of the Korean Peninsula...”⁴ Here North Korea argues that the conclusion of the peace treaty should come first before the denuclearization of North Korea.

The problem is more complex if we look deeper into more details for the peace treaty. North Korea has repeatedly argued that the source of all antagonism is the US anti-North Korea policy, and that only material guarantee for the survival or the removal of the US anti-North Korea policy will meet the condition for the consideration of dismantling North Korea’s nuclear programs. And the details of the material guarantee may include the rearrangement of the USFK, which requires the fundamental transformation not only of the ROK-US alliance structure, but also US East Asian military strategy.

⁴ DPRK Ministry of Foreign Affairs, 2005. 7. 22

The most recent agreement on the subject of peace regime on the Peninsula was the September 19th Joint Statement which specified that “the directly related parties will negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum.”⁵ However as there was no agreement how the process of denuclearization will be related to the issue of peace treaty, every party insisted its own position. Peace has never been the ultimate purpose of each nation’s foreign policy, but only measures for other purposes. Here we are confronted with classical security dilemma in which nobody is sure of the other’s true strategic intention, assuming any possible aggressive intention of the other. When North Korea fears the collapse of its own regime caused by antagonistic international environments, military means and the so-called “military first policy” is the only measure that North Korea can rely on. Both South Korea and the US, not assured of North Korea’s true intention, insist on North Korea’s strategic decision of giving up all nuclear programs. It will be difficult, then, to conclude the peace treaty when there is no true political understanding and consent for the peaceful coexistence of each party. As long as both Koreas are fearful of the other’s any possible aggression such as South Korea’s effort for unification by absorption or North Korea’s military attack upon the South, any positive peace will be far away.

2. The Current Situation

North Korea is in transition. Kim Jong-Il’s deteriorating health is not just a personal issue, but a structural issue in a totalitarian society. Many observers speculate that the process of leadership succession has been active since the late 2008 after Kim Jong-Il has suffered from the stroke. For the last one and half years, North Korea seemed to focus upon the domestic political process of consolidating the process of leadership transition. As there have been many impending issues, North Korea’s foreign policy has been rather passive. With the inauguration of Obama administration upon which North Korea itself expressed a great deal of expectations, North Korea did not show any proactive attitude to negotiate with the US. Rather, North Korea insisted that the basic policy of Obama administration is not very different from the former Bush administration, refuting proposals from the US delegate to visit Pyongyang. The second nuclear test and successive stalemate has been also sufficient to make North Korean watchers to guess that North Korea is too much absorbed in domestic political process lacking policy resources to put on the foreign policy issues.

When the future of the next leaders’ political situation is not certain, any steps for denuclearization will be dangerous. Kim Jong-Il needs to inherit North Korea with nuclear programs to consolidate North Korea’s international situation with an inexperienced young leader. The next leader will also need strong political support from the military to consolidate his position, which makes North Korea’s nuclear policy more strict and hard-lined. North Korea is supposed to enter into the period of the so-called “Strong and Prosperous Great

⁵ September 19th Joint Statement, 2005

Power” in 2012, possibly with the advent of new leadership by Kim Jong-Un. Until then, all political resource will be focused upon the domestic politics. In this process, externally hard-lined policy or even adventurist provocation might be devised to secure the new leader’s domestic position. Under this situation, any breakthrough for the negotiation of denuclearization of North Korea and establishing peace regime will be difficult to expect.

Early this year, North Korea argued that there are conditions for reopening another round of the Six Party Talks. As Kim Jong-Il suffers from worsening economic situations, especially after currency reform in late 2009, there is a need to get external economic assistance to the extent that this effort does not threaten the domestic succession process. North Korea asked for the lifting of international economic sanctions against the North, and starting the negotiations for peace treaty mainly with the US. As North Korea put great emphasis upon the trust between North Korea and the US, we can assume that North Korea’s main intention is to create favorable international environments first for leadership succession, and second for any possible economic assistance.

An important statement by DPRK spokesman of the Ministry of Foreign Affairs reads: “Peace treaty should have been concluded apart from the problem of nuclear issue. If peace treaty had been concluded on the Peninsula, nuclear crisis would not have taken place. We need to fasten the process for the peace treaty as mentioned in the 9.19 Joint Statement. It will solve the antagonism between DPRK and the US, making the denuclearization of the Korean Peninsula possible...Negotiations for concluding the peace treaty may be pursued in a separate forum as indicated in the 9.19 Joint Statement, or in the framework of the Six Party Talks when thinking of the nature of the DPRK-US meetings.”⁶

North Korea here shows a flexible position in that two negotiations for nuclear issue and peace regime may take place at the same time, even under the framework of the Six Party Talks. This means that North Korea will not necessarily exclude South Korea in the process of negotiation. North Korea, then, is in a rather desperate position to make international environments more favorable. This suggestion did not change the situation with the outbreak of Chonan incident, which South Korea and the US interprets as the provocation by the transitional North Korea probable from the political need to consolidate the succession process. Then, North Korea’s appeasing suggestion for peace regime and provocation against the South come from the same logic. Now North Korea is playing the two-level game, of which domestic politics is a great part.

3. Prospects for the Future

Peace comes as a result of political negotiations. Durable peace between both Koreas will come as a result for strategic decisions to peacefully coexist without any aggressive intention against the other. Security dilemma will be solved from genuine efforts to institutionalize to monitor and control mutual suspicion and lack of trust, possible by the help of surrounding countries. Here the roles of both US and China will be crucial in supporting

⁶ DPRK Ministry of Foreign Affairs, 2010. 1. 11

the vision of peacefully coexisting two Koreas which do not pose any threat to interests of neighboring countries.

For the future, denuclearization of North Korea and the establishment of peace regime will not come soon. One possibility is that Kim Jong-Il, before he completely retires, makes a strategic decision to dismantle all nuclear programs, and inherit non-nuclear North Korea to his son possibly with a new policy line of reform and opening. This will satisfy not only South Korea and the US, but also China, Japan and Russia, which long for the future of normalized North Korea. However, there are the same problem of how to make North Korea sure of its survivability and now the new regime's stability with formidable material guarantee of "giving up anti-North Korea policy" from the part of Washington. Lacking the solid base of mutual trust, any efforts for peace regime will not be easy. More serious problem is North Korea's domestic politics. Kim Jong-Il could sustain his political leadership on the basis of strong support of the military. Dismantlement of the nuclear programs and the transformation from the "military-first policy" to the "economy-first policy" may put Kim Jong-Il in a difficult position. Kim Jong-Un who will need strong support from the military will be in a more difficult position when he inherits non-nuclear and reformed North Korea.

If Kim Jong-Il finds too risky situations in making strategic decision, any true peace on the Peninsula will be in the hands of new leaders in East Asia. New leaders from 2010 in both Koreas, the US, China, and Russia will struggle to find out the possibility to coexist with Kim Jong-Un's new leadership, which will determine the future trajectories for nuclear issue and peace regime.

To make durable policy regime on the Peninsula, we need several components for North Korea policy. First, we need to have a long-term view for the future of North Korea. North Korea is already in a transition and there will be unexpected situations inside the North and regarding its foreign policy. To cope with any contingent situations, we need to think of the desirable future of North Korea and try to adapt the fluid situations to that purpose.

Second, we need to sustain a coherent and principled policy of engagement toward North Korea. Neighboring countries will be faced with the situation where they make the strategic decision of how to coexist with the next leader of North Korea and how to engage with him. Then, leaders of neighboring countries, from now on, need to empower reform oriented faction of North Korea and give signals that normalized North Korea will have much better chance to survive and prosper.

Third, concrete details for engagement should be devised with the consent of neighboring countries. North Korea will be assured of other countries' genuine intention of coexisting with the North only when it sees a very detailed and well-devised plan for its own future. Also international co-engagement is crucial. Six-Party Talks has been working as a venue for the discussion of denuclearization of North Korea. As North Korean nuclear problem is not a separate issue as it is related to the whole future problem of North Korea, we need to change the whole paradigm to deal with North Korean nuclear problem. Then, Six Party Talks should be transformed into a venue to guarantee North Korea's survivability for the next leadership and to ask for its fundamental change for reform and opening.

Tragic Chonan incident has tremendously complicated the situation. Lacking any strategic vision and consent for future North Korea, surrounding countries has showed different way of dealing with the issue. South Korea still insists that only with North Korea's appropriate apology and punishment of the responsible personnel, it can go to the table of Six Party Talk. The United States declared that it will begin a new set of measures to put pressure on North Korea by putting financial sanctions, which follows the model of the past BDA case. As Washington repeatedly argued that only with serious North Korea's efforts for denuclearization, it can come to the negotiation table.⁷ Financial measure which is not really a tit-for-tat for Chonan incident as South Korea wishes, must be considered as a very effective way to make North Korea return to the Six Party Talks with Kim Jong-Il's strategic reconsideration for Washington. However, strengthening only disincentives will not succeed in altering North Korea's position in the midst of domestic political transformation. Proper measures to strengthen incentives for North Korea's needs will move Kim Jong-Il's mind, and it will affect how new leadership think vis-à-vis Washington. North Korea has faced with external pressure with more aggressive policies. BDA pressure has invited the first nuclear test in 2006 after all. Repeating the cycle at this time will not just affect Kim Jong-Il's decision to continue nuclear, but also next leadership's perception of how to continue Kim Jong-Il's strategy. Also the third nuclear test of the North will put it in a unrecoverable economic situation with following international sanctions.

Lack of dialogue and agreed view on the future of North Korea will further complicate the relationship of China on the one hand, and South Korea and the US on the other hand. As Chonan incident clearly showed, the absence of strategic agreement on the future of North Korea and future political orientation of the whole Korean Peninsula make common dealing with contingencies very difficult. Each party suspects the genuine intention of others to make most of North Korea's situation to their own interests. As Chonan incident is just the beginning of the symptoms of transitional North Korea, strategic dialogue among China, the US, and South Korea is impending.

If we succeed in solving not just North Korean nuclear problems, but also North Korean problem, it will establish a notable precedent to deal with major security and political issues on the basis of regional multilateralism. In that sense, establishment of peace regime on the Korean Peninsula is directly related to the establishment of regional peace mechanism

⁷ Mr. Crawly, spokesman of the US State Department mentioned: "but the first – the key here is that North Korea has to come back to us, say yes, come back to the Six-Party process, start working on the – its obligations under the joint communiqué – joint statement, and then we are perfectly willing to have other kinds of discussions... We've made clear, going back several months, we're not going to pay North Korea for coming back to the Six-Party process." (Jan. 11, 2010). Also see more recent position: "we're always prepared to talk, but there are some definite steps that we have to see from North Korea before that becomes possible. So I think we agree fully with the South Korean foreign minister that there are conditions and obligations that North Korea has to demonstrate a willingness to tackle before we would consider having a follow-on conversation." (July, 19, 2010)

in Northeast Asia. When major powers overcome mutual suspicion and deal with major issue on the basis of strategic cooperation and regional institution, new prospect for Northeast Asian security architecture might be possible.

Peace of the Korean Peninsular after Cheonan Warship sinking

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When North Korean attacked and sank the Cheonan Warship caused numerous changes to the state of domestic and foreign affairs in the Korean peninsula. First of all, the relationship between the North and the South changed drastically. There is currently no communication or exchange. Criticism of the North has risen in the South. The internal conflicts that had been previously subsided were stirred up in the South. The situation intensified the strained relations of North and South Korea when the United States and China took sides. Four months after the ship sank, the UN Security Council and the ARF made statements that ease international tension. However, some tensions still remain due to the DPRK and China's opposition to the U.S.- South Korea military alliance. The underlying reasons for the sinking are the constant tension and confrontation between the North and the South after the Korean War, and also the DPRK's system problem which led to its nation power to be lesser than the ROK. 「The Cheonan Warship sinking」 has expanded the issue to the rest of the globe. In this regard, the most pressing agenda for the peace of the Korean peninsula is the 「six party talks」. The South Korean government needs to request the prevention of the Cheonan Warship sinking. At the proper time, South Korea should also request to speak about this issue through South-North military talks. It is time for the South Korean government to establish and practice diversified, comprehensive, and long-term countermeasures to ensure not only peace on the Korean peninsula, but also the future of North Korea.

The Way Forward: Four Party Talks, a Peace Regime and the Regional Security Architecture

**John Swenson-Wright
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Challenges

The emergence of the Democratic People's Republic of Korea (DPRK) as a de facto nuclear power, following the North's nuclear tests of 2006 and 2009, provides multiple reasons for the Obama Administration, in conjunction with its Asian allies and partners, to develop an urgent set of policy responses to the current crisis. Aside from the existential threat, a nuclear DPRK, particularly one equipped with steadily improving ballistic missile capabilities, represents a substantial proliferation challenge. Pyongyang's past transactions with Teheran and Damascus threatens to weaken the global Non-proliferation regime while hamstringing the United States' post-Vienna global nuclear disarmament agenda. Continued regional uncertainty risks provoking a new Asian arms race as increasingly nervous states, such as Japan - worried about the reliability of US extended deterrence – contemplate the merits of relaxing their long-term ban on the development of an independent nuclear weapons option. A United States, insufficiently engaged on the North Korean issue, may not only find itself losing traction with its allies but also, by doing too little and too late, may find its options restricted to direct military action with potential catastrophic consequences in terms of civilian and military lives lost, not to mention economic, humanitarian and environmental damage on a huge scale.

The options for devising a coherent regional architectural framework in response to this challenge are, at present, conspicuously limited. Pragmatically, there appears to be little policy-making space for the bold conceptual initiatives associated with the former Roh administration. Since late 2008, the transition to the administration of Lee Myung-bak, and the stalled Six Party Talks process, appears to have killed off talk of extending from Europe to Asia the lessons of Helsinki and a comprehensive package of solutions promoted by 'middle powers' such as South Korea. This is not only a function of the emergence of a more conservative administration in Seoul, skeptical of engagement with the North. It also reflects pronounced skepticism both in Asia and more widely about the efficacy of existing regional institutions. To critics, a surfeit of competing organizations with ill-defined policy and functional roles, from the Asean Regional Forum (ARF), to the Asian-Pacific Economic Cooperation (APEC) forum, as well as the more amorphous, and still ill-defined East Asian Summit (EAS), provides ample evidence of the limitations of institutional innovation as a solution to the present predicament.

Opportunities

Notwithstanding these shortcomings, there are reasons to be cautiously optimistic in considering what might be done. In spite of the political difficulties he faces at home, President Obama has arguably shown himself to be more engaged and effective than his predecessor overseas, especially in Asia, in promoting multilateralism and in re-invigorating core alliance relationships with Japan and South Korea. A measure of this has been the frequent trips by special envoys and a number of high profile visits to the region, most recently, by Secretary of State Clinton and Secretary of Defense Gates –to Seoul in late July. Moreover, the armory of diplomatic and structural initiatives that might be deployed in tackling the present crisis with North Korea is currently well-stocked. From the 1991 ROK-DPRK Basic Agreement, to the 1992 North-South Joint Declaration on nuclear weapons, as well as the Joint Statement that emerged from the 4th Round of the Six Party Talks in 2005, and the follow up Initial Agreement of February 2007, there are no shortage of agreements that reflect a public commitment on the part of all the key parties to find a solution to the nuclear standoff. Moreover, both America's allies, and the wider international community have demonstrated their ability to play a constructive, supportive role in such initiatives. The United Nations, through the swift passage of UN Security Council resolutions 1718 and 1874, has underlined its unity and pragmatism in response to Pyongyang's provocations; South Korea for its part, via its Joint Vision Statement of June 2009, and in its future role as host to the G20 2010 summit and the 2012 Nuclear Security Summit, is poised to play a key role in enhancing regional security. Similarly, Japan – notwithstanding the vicissitudes of domestic political change, in this the 50th anniversary year of the signing of the 1960 US-Japan Mutual Security Treaty - is also well-placed to re-assert the importance of its bilateral partnership with the United States.

Limitations

Despite such positive opportunities, no one should underestimate the risks of inaction in the face of a policy challenge that has proven notoriously difficult to address for successive US administrations. Obama's DPRK policy seems stymied by a proliferation of advisers with competing responsibilities for different aspects of the North Korean problem, as well as the tyranny of an expanding domestic and foreign policy agenda – from Afghanistan, to Iraq, to financial, educational and immigration reform - that simply has too many urgent issues calling out for the President's attention. An activist President appears to be a victim of his own good intentions when the desire to effect change in multiple arenas undercuts the ability to deliver results in specific areas. The recent reassignment of Ambassador Philip Goldberg, the man originally charged with the task of coordinating US policy in relation to UNSC 1874, to the new post of Assistant Secretary for Intelligence and Research, illustrates the difficulty of maintaining the administration's focus on North Korean issues.

The consequences of such policy drift are potentially very damaging. It may inadvertently encourage US allies to believe that the administration is willing to accept a de facto nuclearized North Korea. For Japan's leaders, already perturbed by the willingness of the Bush administration in late 2008 to relax its anti-terrorism provisions against the DPRK in

order to effect at best partial progress on the denuclearization, it can undermine confidence in the bilateral relationship with the US and strengthen the perception that Tokyo's concern to make progress on the fate of its citizens abducted by the DPRK (the so-called rachi mondai) has been given at best lip-service by Washington. At a time when the Democratic Party of Japan (DPJ) government of Naoto Kan has found itself weakened by its disappointing performance in July's Upper House elections, and when Japanese public opinion, preoccupied with economic insecurity, may be turning increasingly inwards to focus on domestic concerns at the expense of foreign policy, this is an important impression to avoid. Domestic politics also matters in South Korea, where the Lee Administration performed unexpectedly badly in the June 2, 2010 elections, despite attempting to use the circumstances surrounding the sinking of the Cheonan to drum up popular support for a hard line posture towards the DPRK. A weakened Lee Administration, especially one perceived as a lame-duck, may find it difficult, if not impossible to make progress on any issues relating to North Korea. Pyongyang, for its part, is also likely to be focused inwards for the immediate future, as the preparations for an unprecedented meeting in September of representatives of the Korea Workers Party – the first such gathering since 1966 – is seen by many as an opportunity for an official endorsement of Kim Jong-un as the successor to Kim Jong-il. The leadership transition process arguably limits the options for immediate US or international engagement with the DPRK when the North's politicians are preoccupied with demonstrating their resilience in the face of external pressure and criticism.

Options

In seeking to sustain momentum and achieve progress in dealing with the North Korean nuclear crisis, the United States and its allies should endorse a number of key principles:

- They should accept that any regionally initiated response to the crisis, and especially the construction of anything resembling a framework or architecture for facilitating a solution, should be viewed as a process rather than an end in itself. Too much preoccupation with mechanisms rather than outcomes may impede progress and squander one of the international community's most important assets – namely, time. It would be unwise not to appreciate the urgency of getting Pyongyang back to the negotiating table as quickly as possible as a means of preventing the North from further enhancing its nuclear and ballistic missile arsenals.
- There should be agreement on the importance of pursuing simultaneously a number of limited but mutually reinforcing objectives, including: denuclearization of the North (both the halt of future reprocessing and the eventual elimination of existing stockpiles of weapons and weapons-grade plutonium, as well as uranium supplies); preventing nuclear and ballistic missile technology proliferation; and sustaining allied regional and international cohesion in addressing the crisis.

- There should be consensus not only on the goals of the international partners involved in dealing with the North, but also on those objectives which are NOT on the agenda. Specifically, it should be made clear publicly that regime change - with all the destabilizing implications this has (especially from China's perspective) and the disincentive effects this has for the leaders in Pyongyang - is intentionally not something that the international community is seeking to realize.
- Economic and political sanctions should continue to be applied and where possible tightened to further impede the DPRK's ability to acquire and test its WMD capabilities and to limit the opportunities of the North to proliferate.
- The transfer of operational control (OPCON) from US to ROK forces, scheduled for 2012 should be delayed to avoid undermining the deterrent capability of the alliance. The recent July 21 joint statement of the US and ROK Foreign and Defense Ministers, with its reference to drafting a new Strategic Alliance 2015 plan, appears to indicate such a delay in the transfer of control until December 2015.
- The United States should consider offering calibrated concessions to the DPRK, such as the establishment of liaison offices by the two countries in their respective capitals. The Obama Administration could offer such a concession in return for the renewal of the DPRK's missile testing moratorium.
- Economic and educational engagement between Pyongyang and the international community should be enhanced by the provision of targeted, project-specific aid and the issuing of scholarships and visas. Especially in its interaction with European governments and educational institutions (for example, in the UK), the DPRK has recently been signaling its desire to substantially expand such contacts.
- The US and its allies should consider and plan concretely for the opportunities that may arise following any future leadership transition in the DPRK. A new, younger leader may – although this is purely speculative – provide an opportunity for fresh and innovative diplomatic initiatives. The symbolic weight of such gesture politics is not inconsequential (especially for a country such as the DPRK which is especially sensitive to issues of prestige and status) and it would be sensible to consider, well in advance, how best to capitalize on any opportunities that might arise from such a leadership change.
- While remaining careful to avoid any hint of an endorsement of regime-change, the US and its partners, including the Chinese, should privately deliberate and draw up detailed contingency plans for dealing with any future political or economic upheaval in the North. This could help to capitalize on the reported efforts by Beijing to plan for such changes but in a manner that reinforces Sino-American cooperation and

binds the Chinese into a closer cooperative partnership with the United States. Past and existing trilateral frameworks – both the Trilateral Coordination and Oversight Group (TGOG), and the now regularized, annual Sino-Japanese-ROK trilateral summit process, might also be used to advance such planning.

- The US and the ROK, in cooperation with the Chinese, should initiate talks on replacing the 1953 armistice agreement with a 4 power, negotiated peace treaty, but only in a context where the North has made a clear commitment to reactivate and implement its past denuclearization agreements in a context where internationally and IAEA-approved monitors are given access to DPRK nuclear facilities.
- As a confidence-enhancing measure, and as a means of rebuilding trust with the DPRK, the US should consider restarting the provision of humanitarian food and energy assistance to the North. It should also consider, albeit on a conditional basis, making provision for DPRK entry into a number of key International Financial Institutions.
- Russian, European and Japanese expertise should be deployed, again on a conditional basis, to provide training and assistance in a variety of areas, including education in science and technology, in the provision of infrastructure projects (for example, railways, or sustainable development), and importantly in the dismantling of nuclear facilities and the retraining of the North's nuclear scientists and technicians.

None of these measures represents a radical or especially novel departure from past practice or ideas that have been put forward in a variety of forums. However, by focusing attention on the core priorities for sustaining international collaboration and by helping to keep the nuclear issue high on the regional and global policy agenda, they offer collectively a potentially useful basis for sustaining progress and avoiding the real and present dangers of drift and delay when dealing with the DPRK.

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