

# **Northeast Asian Approaches to North Korea's Nuclearization**

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## Northeast Asian Approaches to North Korea's Nuclearization\*

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Economic sanctions have often been considered the best alternative to the use of military force. However, academic and policy debates regarding the effectiveness of sanctions on Iraq, Iran, Libya and the DPRK have not been settled. There are significant discrepancies in the literature that addresses sanctions more generally, beyond the realm of nuclear proliferation. For instance, a study by Hufbauer, Schott, and Elliott (1990) found that sanctions were partially effective in 40 out of 115 cases (34 percent) between 1914 and 1990. By the latter part of the 1990s the literature appeared to return to the theme that sanctions/boycotts alone often fail to deliver the desired change in behavior. Pape (1997) found that only 5 of the cases listed in Hufbauer et al. (1990) met his definition of success, labeling all the rest “indeterminate.”<sup>1</sup> Examples of presumed failures include the DPRK (1990s, early 2000s), Cuba, Iraq, Libya, Pakistan, and others. Pape’s conclusions joined a number of earlier studies (Galtung 1967, Doxey 1980, Knorr 1975) similarly skeptical of the effectiveness of sanctions, but were at odds with other, more optimistic studies in the late 1980s and early 1990s (Baldwin 1985, Martin 1992, Cortright and Lopez 1995). Some scholars (Elliott 1998, Baldwin 1998) argued that coding the effects of sanctions dichotomously--as either a success or failure--was a mistake given the many cases where the outcome was a mix of success and failure. Most cases, in other words, fall somewhere in the middle ground between absolute non-compliance and total compliance.

Much of this literature addressed sanctions rather than positive inducements, for the most part and at least until recently. The developing perception that sanctions were

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<sup>1</sup> Elliott (1998:51,58) claims that only 1 in 4 sanctions had any success at all in the 1970s and 1980s, and that only 5 of 39 sanctions imposed unilaterally by the US between 1970 and 1990 had any success.



ineffective fueled interest in positive inducements, particularly *economic inducements*, as a tool of influence. In their study of engagement policies by South Korea, Taiwan, and China, Kahler and Kastner (2006) found preliminary confirmation that (1) Conditional strategies (linking economic ties to changed behavior in the target state) are less likely to succeed when the initiating state is a democracy and that (2) Transformative strategies (unconditional reliance on economic interdependence to *transform* the foreign policy goals of the target state) are more likely to succeed when a broad consensus exists in the initiating state.

The experience of Northeast Asian states with the DPRK is particularly critical because of the extensive use of positive inducements. How have Northeast Asian states responded to the nuclearization of the DPRK? What differences might one discern in those responses? What are the sources of those differences? What mix of positive and negative inducements was applied in each case? What follows is a very preliminary overview (prior to the conclusion of field research) of the evolving mix of sanctions and positive inducements by Japan, China and South Korea in connection to the DPRK's nuclear program.<sup>2</sup>

## I. Japan's Dilemma: DPRK Nuclearization and the *racchi jiken*

Many consider Japan to be the most likely target of the DPRK's unconventional capabilities. Neorealist theories would predict such circumstances to constitute the most crucial driver in Japan's response to the DPRK's nuclearization, leading it to counter it with nuclear weapons of its own. Yet, contra neorealism, the most important driver in Japan's policies on this issue does not seem to have been a push for nuclear weapons but a domestic debate over Japanese citizens abducted by the DPRK (*racchi jiken*) in the 1970s. This adds to a long list of anomalies for neorealist theory.<sup>3</sup> Beyond that, to the extent that Japan's policies vis-à-vis DPRK nuclearization have evolved in the last 15 years or so, they

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<sup>2</sup> I benefited greatly from conversations with scholars and officials during EAI-sponsored visits to China, including seminars at Fudan University and Peking University, for which I would like to thank EAI, my hosts and audiences. The current draft has not yet been presented in Seoul and Tokyo. I acknowledge Colin Moore and Wilfred Wan for excellent research assistance with data collection.

<sup>3</sup> For the many challenges to neorealist theory posed by Japan's behavior on nuclear issues, see Solingen (forthcoming 2010) and Solingen (2007).



have largely shifted from the positive to the negative inducements end in the spectrum of instruments of statecraft. And the *racchi jiken* have been central to this shift.

Following the end of the Cold War, Japan and the DPRK held several rounds of “normalization talks” in the early 1990s. Japan also delivered 300,000 tons of rice to the DPRK after the death of Kim Il Sung and in 1995 Prime Minister Murayama Tomiichi expressed remorse and apologized for Japan's colonial rule and atrocities during World War II on the 50th anniversary of the end of that war. At this time Japan's DPRK policy had engagement as its long-term goal as part of the Agreed Framework and to reassure an anxious South Korea.<sup>4</sup> Domestic pressures over *Nihonjinzuma* (reparations) and the DPRK's abductions of Japanese citizens remained a powerful barrier to normalization but did not thwart the general trend towards engagement at this point.

The DPRK launched its first salvo, literally, as part of its road to nuclearization, on August 31, 1998, in the form of a Taepodong-1 missile over Japan. Premier Obuchi expressed deep worries, adding that “Japan's people are extremely anxious” and that Japan needed a better “warning system” and its own satellite. Kan Naoto, the DPJ opposition leader, endorsed this idea. Mori Yoshiro, secretary general of the ruling LDP argued that “if the firing was intentional, it's quite fair to say that a war could have broken out.”<sup>5</sup> Deputy Cabinet Secretary Hুরুkawa Tejiro, in charge of inter-ministerial talks on the DPRK, allegedly raised the possibility of banning all financial remittances, freezing assets of pro-North Korean organizations in Japan, and suspending trade and all visits. However MOFA remained concerned with the DPRK's potential turn to nuclear weapons (Yonhap News Agency, 1998). Japan nonetheless pushed for sanctions at the United Nations but failed even as the US moved ahead with the KEDO light-water reactor project, leading Japan to sign the two reactors' cost-sharing agreement, for which Japan had pledged \$1 billion.<sup>6</sup>

Domestic pressures to re-consider engagement with the DPRK have been a constant since. Among these voices, a group of younger Diet politicians warned that the DPRK was building Taepodong ballistic missiles (Maeda, 1999). Obuchi acknowledged that Japan's position could not be completely aligned with that of the US or South Korea's due to different domestic considerations in each case (Yonhap News Agency, 1999a). With the DPRK's announcement of an imminent Taepodong-2 missile test in 1999, both the LDP and DPJ supported the suspension of remittances to the DPRK (Sims, 1999a). Abe

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<sup>4</sup> Hughes, 460-1.

<sup>5</sup> See Parry (1998) and Kristof (1998).

<sup>6</sup> Green ( 126).



Shinzo, a future LDP Prime Minister who also backed the measure, argued that Japan needed a stick-and-carrot approach which constitutional restrictions handicapped (Daimon, 1999). Meanwhile, a US-Japanese missile defense system was under consideration as were changes to Japan's maritime defense capabilities and to the prohibition to deploy maritime SDF overseas. Japan also continued to offer the withdrawal of sanctions if the DPRK suspended the missile launch, lifted a ban on chartered flights, and restarted food aid (Sims, 1999b; The Japan Times, 1999; Yonhap News Agency, 1999e). Meanwhile the DPRK insisted in colonial reparations but Japan's negotiator, Takano Kojiro, while reiterating Prime Minister Murayama's 1995 apology for Japanese wartime aggression, rejected the need for compensation (New York Times, 2000).

Following the June 20 North-South Korean Summit, Japan's Federation of Economic Organizations (Keidanren) launched an initiative to spur business projects in the DPRK and a free trade agreement between Korea and Japan (Yonhap News Agency, 2000b). However, Japan perceived the pace of US and South Korea's rapprochement with the DPRK to exceed its own ability to forge a domestic consensus (Hughes, 2002). In 2001 Japan offered to buy all of the DPRK's Rodong missiles, many ready for export to Middle Eastern countries, in exchange for freezing of, and external oversight over, the DPRK's missile program (Yonhap News Agency, 2001a). Under Prime Minister Junichiro Koizumi the Diet also approved Japan's Coast Guard (JCG) permission to fire on *fushinsen* (suspected spy boats), invoked later in the sinking of a suspected DPRK vessel initially spotted within Japan's 200-nautical mile Exclusive Economic Zone (EEZ) and pursued into Chinese territorial waters in December 2001 (Hughes, 2002, p. 72).

Koizumi's Deputy Chief Cabinet Secretary Abe Shinzo headed a government taskforce dealing with the abductees' (*racchi jiken*) problem. Koizumi raised the issue strongly with South Korea's President Kim Dae Jung (Asahi Shimbun, 2002c). Against the background of credit union scandals involving pro-Pyongyang groups in Japan there were renewed calls for freezing all negotiations over normalization and for designating the General Association of Korean Residents in Japan (*Chongryun*) as a subversive organization (Asahi Shimbun, 2002b). As Hughes (2002:75) argued, the *racchi jiken* had become a precondition for normalization even though MOFA's position in 1991 had been that there would be no preconditions for a final settlement.

Against the background of Koizumi's initial policy of containment, the DPRK began pushing for normalization talks in February 2002 (Asahi Shimbun, 2002a). But in April 2002 Japan's House of Representatives passed a resolution calling for a tougher stance on the *racchi jiken*, as LDP members constituted an all-party Diet group to maintain



pressure on this issue. A 2002 Japan-DPRK meeting on the sidelines of the ASEAN Regional Forum (ARF), the first since the last round of normalization talks had stalled in 2000, led to additional meetings. Koizumi's surprise announcement of his trip to a Pyongyang summit was followed by the "Pyongyang Declaration," which referred to both Japan's colonial past and the *racchi jiken*. Following the summit, Koizumi's popularity rose from 43 to 67 percent, although nearly 75 percent still believed Japan should not rush to establish ties with the DPRK (Kihl & Kim, 2006, p. 165). Abe Shinzo urged the return of *racchi jiken* before normalization (Daily Yomiuri - The Yomiuri Shimbun, 2002). Five kidnapped Japanese returned to Japan for a visit in October 2002, fueling demands for more information on the rest. Social Democratic Party leader Doi Takako admitted her own party's failure to make progress over the issue (Asahi Shimbun, 2002d).

Pyongyang's nuclear activities and its withdrawal from the NPT raised new obstacles to normalization talks. In January 2003 Japan considered severing all DPRK trade and remittances as LDP Diet members proposed legislation to ban port calls by suspected spy ships. This was followed by the DPRK's firing of short-range missiles over the Sea of Japan and other tests. Tokyo Governor Ishihara Shintaro called for Japan to rearm, cut aid to the DPRK and seek revenge for kidnappings.<sup>7</sup> The Diet approved new measures expanding the SDF's role. Japan's ambassador in Seoul denied plans for economic sanctions against the DPRK but domestic opposition to engagement was rising. Polls suggested over half of the public now opposed normalization, rising from about 33 percent (Asahi Shimbun, 2003a).

Preparations for the first six-party talks in August 2003 sharpened domestic differences in Japan, and within the LDP. Vice Foreign Minister Takeuchi Yukio countered Abe's insistence on resolving the *racchi jiken* issue first (Asahi Shimbun, 2003b). Japan-DPRK trade was at a record low since 1999 and lawmakers from the LDP, Komeito and DPJ approved legislation that would enable Japan to restrict remittances and trade independent of UN resolutions. Remittances in fiscal 2002 were valued at 4 billion yen and trade totaled 45.9 billion yen (Yoshida, 2004). Yet Koizumi cautioned against immediate sanctions even as pressure from *racchi jiken* families mounted and a petition signed by over 1.3 million Japanese demanded sanctions (Kyodo News International, Inc., 2004a). Koizumi returned to Pyongyang in 2004 and promised not to impose sanctions on the DPRK in exchange for a missile launch moratorium. His failure to persuade Kim Jong-Il to abandon the nuclear weapons program or provide more information on the *racchi jiken* cost Koizumi criticism from within and beyond his own

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<sup>7</sup> See Cha (2003) and Solingen (forthcoming 2010).



party. Even LDP secretary general Abe Shinzo suggested that immediate sanctions were necessary; that Japan should express its will with an eye toward regime change in the DPRK; that only pressure, not dialogue, can force the DPRK to change its attitude; and that if Japan calls their bluff, the DPRK's brinkmanship would fail (Kyodo News International, Inc., 2004b). By 2005 Japan was the DPRK's third-largest trading partner, accounting for nearly 9 percent of its total foreign trade volume, and given the DPRK's infinitesimal role in Japan's foreign trade Abe saw that asymmetry as a source of vulnerability for the DPRK and leverage for Japan.

Koizumi enacted minor sanctions, followed by inflammatory DPRK rhetoric threatening to destroy Tokyo, and evidence that the returned remains of abductee Yokota Megumi were, in fact, not hers. An *Asahi Shimbun* survey now revealed that about 63 percent of respondents (across the LDP-DPJ divide) supported economic sanctions over the *racchi jiken* issue, with only 25 percent opposing them (International Herald Tribune - *Asahi Shimbun*, 2004b). A survey of lawmakers found 82 percent favoring economic sanctions (94 percent of New Komeito – the LDP's junior coalition partner; 86 percent of LDP members; 80 percent of DPJ lawmakers) (Kyodo News International, Inc., 2004c). Even following the DPRK's 2005 announcement that it was now a “de facto” nuclear power, Japan's Foreign Minister Machimura declared that Japan was not in a position to impose sanctions immediately given diplomatic efforts under way (Daily Yomiuri - *The Yomiuri Shimbun*, 2005). Yet the law enabling Japan to inspect and reject ships entering ports without proper insurance was passed. Only 2.5 percent of the 982 North Korean vessels that entered Japan in 2003 had such insurance (Kyodo News International, Inc., 2005). An already low DPRK-Japan trade plummeted even further.

The banning of DPRK ships hurt some Japanese fisheries and consumers, particularly snow crab and short-necked clam dealers in particular, the latter being the largest import category from the DPRK, and about 60 percent of Japan's total clam imports. LDP Diet member Kawakami Yoshihiro (Sakaiminato, Tottori Prefecture) expressed concerns with losing trade with the DPRK, with 40 percent of Sakaiminato's crabs being imported from that source. Furthermore, the requirement of ship insurance would also affect imports from Russia. Abe Shinzo argued that only a limited number of people were involved in this trade which yielded direct profits for Kim Jong-il, so the ban would have a more negative impact on the DPRK than on Japan (Chuo Koron, 2005).

Normalization talks resumed in early 2006, after a hiatus since 2002, but lawmakers from both government and opposition also approved a bill calling for sanctions unless the abduction issue was resolved. The July 5<sup>th</sup> 2006 DPRK's missile tests lead to further outcries, including by business groups. Business Federation Keidanren Chairman Mitarai





Fujio expressed that DPRK brinkmanship threatened Japan's security. Association of Corporate Executives Chairman Kitashiro Kakutaro expressed regret at the defiant firing of missiles. Chamber of Commerce and Industry Chairman Yamaguchi Nobuo prodded the government to raise a strong protest (Kyodo News International, Inc., 2006c). But the DPJ leadership questioned the effectiveness of unilateral Japanese sanctions and favored UN-based decisions (Kyodo News International, Inc., 2006d). Foreign Minister Aso Taro stressed that Japan would push for a U.N. resolution and sanctioning by the Group of Eight. Over 80 percent of Japanese respondents now approved of economic sanctions, with only 13 percent opposing them as Abe Shinzo suggested that attacking DPRK missile bases was within Japan's legal right of self-defense.<sup>8</sup> Meanwhile the UNSC unanimously adopted Resolution 1695 requiring all U.N. member states to stop all transactions with the DPRK related to material or technology for missiles or weapons of mass destruction.

As Prime Minister, Abe continued to pursue constitutional revisions to enhance Japan's self-defense. Relying on UNSC resolution 1695, Japan's financial institutions were banned from conducting overseas remittances to fifteen DPRK-linked financial institutions and trading firms. The DPRK's October 2006 nuclear test led to a new UNSC resolution (1718) condemning the test. In the test's aftermath, 82 percent of respondents to an Asahi Shimbun poll expressed "concern," 44 percent sensed a "strong threat" from the DPRK, and 38 percent experienced "some level of threat" (Izumi & Furukawa, 2007). Another poll found over 74 percent of respondents skeptical that the DPRK's nuclear issue would be resolved through the 6-Party Talks ("Yomiuri Shimbun November Opinion Polls," 2006). Abe banned all DPRK imports and ships, with MOFA now supporting these measures (Yoshida, 2006). DPJ's Ozawa Ichiro criticized the government for allegedly following US requests and former LDP Vice-President and lawmaker Yamasaki Taku visited Pyongyang in an explicit internal criticism of Abe's policies (Asian Political News, 2007). Despite some encouraging steps at the February 2006 six-party talks, Japan reiterated that sanctions would remain in place until the nuclear and abduction issues were resolved. Abe requested the US not to remove the DPRK from its list of states sponsoring terrorism (Jiji, 2007).

In 2007 North Korea shut down the Yongbyon reactor and committed to disable other nuclear facilities. Japan's new Prime Minister Fukuda Yasuo adopted a more conciliatory position but remained circumspect about DPRK intentions (Kyodo News

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<sup>8</sup> Kang and Lee,

[http://www.csis.org/component/option.com\\_csis\\_pubs/task.view/id.3749/type.1/](http://www.csis.org/component/option.com_csis_pubs/task.view/id.3749/type.1/)



International, Inc., 2007). Only 16 percent of the public had a positive evaluation of these DPRK steps; only about 27 percent thought the DPRK would abandon its nuclear weapons program through the Six-Party talks at this point (50 percent remained skeptical); and only 17 percent supported US plans to remove the DPRK from the states supporting terrorism list (“Asahi Shimbun July 2008 Opinion Poll,” 2008). Bilateral talks in Ulan Bator failed to restore trust. Fukuda reiterated Japan’s request to keep the DPRK in the list of terrorist states and the House of Representatives committee on the *racchi jiken* adopted a resolution to that effect, backed by the LDP, New Komeito and DPJ (opposed only by the Communist Party). Some business interests rejected a harder line on the DPRK which would have hindered the use of DPRK ports for shipments to Japan (International Herald Tribune - Asahi Shimbun, 2007b). The DPRK’s retreat from commitments to declare all its programs by the end of 2007 fueled further frustration in the Japanese public, a majority of which continued to support sanctions (Mainichi Daily News, 2008). These were extended in 2008 as Fukuda remained under pressure on the abductions issue. New DPRK pledges to provide information were met with skepticism. About 80 percent of Diet members continued to oppose the easing of sanctions “as long as Pyongyang fails to return more Japanese abduction victims” (Kyodo News International, Inc., 2008).

The DPRK announced the restarting of its nuclear facilities as an alleged response to US reluctance to remove it from the state sponsors of terrorism list. The US formally took the DPRK off this list in October 2008 but in May 2009 the DPRK tested its second nuclear device. The latter resulted in a strengthened US-Japan alliance, revitalized trilateral US-Japan-South Korean cooperation, improved Sino-Japanese and trilateral US-Japan-China relations, and reinforced Japanese calls for a 5-party system designed to contain the DPRK that would replace the Six Party Talks (“Cabinet Office of Japan 2009 Public Opinion Survey on Diplomacy,” 2009).<sup>9</sup>

[Responses to Cheonan incident – here]

Summing up, the *racchi jiken* debate has dominated Japanese responses to DPRK nuclearization as no other issue has. Whereas nearly 87 percent of the public indicated interest in this issue in late 2009, only 77 and 67 percent were interested in the nuclear and missiles issues respectively. Only 24 percent supported normalization with the DPRK and barely 12 percent indicated interest in economic and other exchanges (“Cabinet

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<sup>9</sup> Tanaka Akihiko, Public comments at Todai University, July 4, 2009.



Office of Japan 2009 Public Opinion Survey on Diplomacy,” 2009). Domestic support for positive inducements has been very low. Conservative groups seeking regime change in the DPRK found the abductees’ issue to be fertile ground for popular mobilization. The National Association for the Rescue of Japanese Kidnapped by North Korea (NARKN), headed by Sato Katsumi, advocated regime change and NARKN Vice Chairman Shimada Yoichi acknowledged the instrumentality of the *racchi jiken* for advancing regime change. One Diet member expressed that admitting publicly that the nuclear issue is more important than the abductees would be “political suicide” (*Japan and North Korea: Bones of Contention*, 2005). Japan’s lukewarm support for the Six-Party Talks can be traced to public concerns that normalization with the DPRK could take place without resolving the *racchi jiken* issue. The US decision to remove the DPRK from the list of state sponsors of terrorism before resolving the abductee’s issue--and before a complete, verifiable denuclearization--was met with grave concern in Japan (Matsumura, 2007). About 50 percent of the public considered this step would have a negative effect on the *racchi jiken* issue; only 4 percent thought the effects would be positive. The DPRK’s intransigence, including escalating missile and nuclear tests, played in the hands of the *racchi jiken*. The result was declining trade and aid from Japan to the DPRK and a stronger commitment to conditional engagement.

## II. China’s Dilemma: From “lips and teeth” to uneasy friendship

The DPRK’s nuclearization has significant security implications for China but, as with Japan, they were filtered through domestic considerations. More than a threat to China’s existence as a state in the classical neorealist sense, the DPRK’s nuclearization poses a challenge to China’s modernizing leadership. It signals, rightly or wrongly, that policies relying largely on positive inducements may have failed to prevent DPRK escalation all the way to two nuclear tests. There is a subtle but rising perception within China that its leadership has been unable to translate China’s rising influence in the region and beyond into a solution to Northeast Asia’s tinderbox. Though not the primary focus of attention of average Chinese citizens, or even China’s selectorate, the DPRK’s behavior could not but add to an array of leadership concerns with regime survival and the DPRK’s threats to



the sustainability of China's economic expansion.<sup>10</sup> There has been some evolution in China's approaches to DPRK nuclearization insofar as *extensive* positive inducements began to be matched with *incipient* negative ones in recent years, in the form of support for UNSC resolutions applying sanctions on the DPRK. The selective and particular interpretation of these sanctions, however, enabled China's leadership to dilute them in practice via strong and continuous support for Kim Jong Il's regime.<sup>11</sup>

Chinese-DPRK relations were particularly close during the Cold War, often defined as "lips and teeth" by Mao Tse-tung. The end of the Cold War unleashed a different dynamic, particularly with the thaw in Chinese-South Korean relations.<sup>12</sup> China expressed support for peninsular reconciliation and for South Korea's "sunshine policy" as part of President Jiang Zemin's policy of maintaining peace and stability in the region (Xinhua News Agency, 1998e). Although it denied supporting the DPRK's missile program, China followed its mild response to the DPRK's 1998 missile test with a new Sino-DPRK science and technology protocol and the provision of 80,000 tons of crude oil (Gertz, 1999; Xinhua News Agency, 1998a, 1998b, 1998d; Yonhap News Agency, 1999c). In 1998 China also provided 100,000 tons of grain and 20,000 tons of chemical fertilizer to the DPRK. A Chinese military delegation visited the DPRK in advance of the four-party talks (the Koreans, US and China) to be held in Geneva, as a goodwill gesture at the invitation of the DPRK's Ministry of the People's Armed Forces (Xinhua News Agency, 1998c).

The DPRK's progressive internal deterioration threatened China's stability in several ways. The 1990s famine that killed an estimated 1 million North Koreans also led over 100,000 to flee the DPRK for China, triggering Chinese searches for "illegal immigrants" that were refused refugee status (Washington Times, 1999; Xinhua News Agency, 2000). Advancing a policy of reassurance, China hosted the second-ranking DPRK official, Kim Young-Nam, who led the highest level diplomatic mission to China in eight years in 1999 (Xinhua News Agency, 1999a, 1999b). Kim Yong-nam attempted to reverse DPRK's criticism of China's market reforms but carefully avoided a commitment to emulate China's model (Yonhap News Agency, 1999b). China also hosted DPRK's military officials. The first ever meeting of Chinese-South Korean military chiefs in Beijing in

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<sup>10</sup> On China's selectorate, the group within the Communist party that holds effective rein over the selection of leaders, see Shirk (2007).

<sup>11</sup> Solingen (2010ms) includes an expanded discussion of China's overall approaches to sovereignty and sanctions in the nuclear area.

<sup>12</sup> On North-Korean relations with China, see Solingen (2007).



1999 was not well received in Pyongyang (KCNA News Agency, 1999). During Kim Jong-Il's unannounced visit to China and meeting with Jiang Zemin in June 2000 both committed themselves to bolster bilateral relations through reciprocal visits (Yonhap News Agency, 2000a). Premier Zhu Rongji hosted a four-day tour of Shanghai for Kim Jong-Il as a showcase of market reforms. Jiang reciprocated with an official visit to Pyongyang, repeating the mantra that peace and stability in the peninsula is of utmost importance, and expressing support for the DPRK's normalization of relations with South Korea and Western countries.

Bilateral economic exchanges increased significantly in 2001 with the DPRK exporting \$36 million to Jilin (a 51 per cent increase year-on-year) and importing \$54M from it (a 22 per cent increase) (Yonhap News Agency, 2001b). Korean Workers' Party Central Committee Secretary Jong Ha-chol praised China's achievements in "socialist modernization" under Jiang Zemin at a meeting with visiting Chinese journalists (Xinhua News Agency, 2002). The DPRK also began attracting Chinese tourists. A rare public diplomatic spat followed China's arrest of (Chinese) tycoon Yang Bin--who had been appointed governor of the DPRK's Sinuiju Special Administrative Region despite China's objection--for alleged illegal business practices (Yonhap News Agency, 2002a). New defiant steps--the DPRK's acknowledgement of its reconstituted nuclear program in 2002--were met with a restrained response by China's Foreign Ministry, calling for dialogue, direct talks, support for non-proliferation and opposition to sanctions (Beijing Zhongguo Xinwen She, 2002; China Daily, 2002). In late 2002 the DPRK expelled IAEA inspectors and in January 2003 announced its withdrawal from the NPT, threatened to abandon the 1953 armistice, lobbed another missile into the Sea of Japan, and resumed operations at Yongbyon. China criticized the DPRK's withdrawal from the NPT and cut off oil supplies to the DPRK for three days, allegedly for unrelated reasons. But Vice-Prime Minister Qian Qichen also cajoled Kim Jong-il to enter multilateral talks, as did Chinese military leaders meeting in Beijing with Jo Myong-rok, first vice-chairman of North Korea's National Defense Commission (Yonhap News Agency, 2003b). With a delegation in Beijing for the talks, the DPRK declared that it had a nuclear arsenal and might sell some of it to the highest bidder (Kessler & Pomfret, 2003; Xinhua News Agency, 2003).

Friction in Sino-DPRK relations was evident in the summer of 2003. Chinese textbooks began revisiting the previous official line that South Korea had launched the war in 1950. The 50th anniversary of the Korean armistice became a much smaller event than ever, marred by mutual recriminations. China reportedly reneged on its commitments to the DPRK embedded in Article 2 of the 1961 Sino-North Korean Treaty



of Friendship, Cooperation, and Mutual Assistance (Chambers, 2005). Despite serious reservations vis-à-vis the Proliferation Security Initiative (PSI), China announced it would no longer allow DPRK armament shipments through Chinese territory, and named the DPRK and Iran countries of particular concern. In another apparent signal of increased pressure, China sent over 100,000 troops to the border to prevent refugee flows into Chinese territory and perhaps to warn the DPRK indirectly. All the while China resisted calls for sanctions. Liu Jieyi, director of the Foreign Ministry's arms control and disarmament department, expressed that China was fully opposed to proliferation but not supportive of UNSC action (Pomfret, 2003).

The views of the PLA and CCP hardline security advisors, calling for increased support for the DPRK, seem to have had significant influence on Hu Jintao, Central Military Commission Chairman. The policy planning CCP Leading Group on Foreign Affairs, presided by Hu Jintao, has rejected ending the mutual defense treaty with the DPRK, a policy advanced by more liberal segments of the scholarly and policy communities (Lam, 2005). Over time, however, the diversity of Chinese views on the DPRK problem, beyond vague official representations, became more evident. In the words of a leading Chinese political scientist "we go to North Korea and we can see ourselves in the 1970s. We see bad conditions. We ask the North to change, to reform, but they don't. Then they criticize us - when they are dependent on our oil and energy!" (Marquand, 2003). Furthermore, younger Chinese identify more closely with modern South Korea in economic and cultural terms. In another departure from typical official emphasis on Sino-DPRK friendship, a semi-official Chinese publication reportedly characterized the DPRK in 2004 as an ungrateful troublemaker that barred Chinese tourists, a country with a backward system and flawed international outlook; with people living in wretched conditions under massive political persecutions; and a source of plots that exacerbate tensions in US-China relations (The Straits Times, 2004). Chinese economist Wang Zhongwen suggested in an article later removed from the journal's website that Kim Jong-Il will "unilaterally develop nuclear weapons heedless of whether [his] people live or die, instead of making efforts to develop the economy and improve the people's living standards" (Tkacik Jr., 2004; Wang Zhongwen, 2004). Further, Wang argued, the DPRK has ignored Sino-DPRK friendship; hence, China has no moral responsibility to give full support to such a state except for prevent a war. Similar statements by Chinese analysts and scholars began depicting the Sino-DPRK alliance as an outdated relic that damages China's reputation and relations with other regional and global powers. In some cases even regime change and Korean reunification were deemed



to represent better outcomes for China.<sup>13</sup> China's military, however, remained more committed to a continued alliance with the DPRK.

Positive inducements to secure Pyongyang's attendance at a new round of Six Party Talks continued, with China offering the equivalent of \$50 million in aid and financing for a glass plant (International Herald Tribune - Asahi Shimbun, 2004a; Yonhap News Agency, 2004). Bilateral trade reached a record high in 2004 but China also forced the closure of a DPRK gambling casino in Rason and, backing other international pressures, publicly called for the DPRK to return to talks. Pyongyang's announcement that it had manufactured nuclear weapons triggered an uncommonly critical response by state-run Chinese media (Bradsher & Brooke, 2005). Yet China also resisted US pressure to discuss economic sanctions such as discontinuing oil supplies. Though growing increasingly frustrated with the DPRK's refusal to resume the Six Party talks, China repeated the mantra that there were no good alternatives to engagement (New York Times News Service, 2005). When the DPRK announced a potential nuclear test, China warned against it and defined it as a "red line in diplomacy" (Yonhap News Agency, 2005). President Hu Jintao sent a special envoy to Pyongyang in a "formal goodwill visit" to prod the DPRK back to the Six Party talks. Upon their resumption in July 2005, China pushed for a "draft statement of principles" to end the DPRK's nuclear program while refusing to co-sponsor an IAEA measure condemning the DPRK's NPT violations. President Hu traveled to meet Kim Jong-Il and the Six Party talks reconvened in October. Additional positive inducements, including joint Sino-DPRK development of an oilfield in the Yellow Sea, continued. China now accounted for nearly 53 per cent of all DPRK trade, excluding South Korea (Asia Pulse, 2006a). Liu Jianchao, China's Foreign Ministry spokesman, argued that "the normal trade flow should not be linked up with the nuclear issue," adding that China opposed addressing the problem "through strong-arm tactics" (Kahn & Sanger, 2005). China's food aid to the DPRK soared as well.

Kim Jong-Il made another secret visit to China in January 2006, reportedly leading to a Chinese proposal to relax US sanctions imposed in September 2005 against Banco Delta Asia. Vice Foreign Minister Wu Dawei indicated China's willingness to unfreeze some of the affected accounts but the US refused, urging the DPRK to return to the talks unconditionally. China also urged the DPRK to stop illicit financial activities. The next act of DPRK defiance came in the form of missile tests (July 2006) which placed China in a difficult diplomatic position once again. Yet China continued to resist calls for

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<sup>13</sup> Chalmers, op.cit. p.62. However, polls suggested that most Chinese still sided overwhelmingly with the DPRK, even if they also opposed involvement in another Korean war (Roy 2004).



sanctions through a UNSC resolution sponsored by Japan, the United States, and other countries, proposing a UNSC presidential statement as an alternative. The compromise was a weakened UNSC resolution condemning the DPRK 's missile launchings; preventing it from any trade in missile-related items; and “strongly urging” it to abandon its nuclear program and return to the Six Party talks. China and Russia opposed mention of Chapter VII that could justify military action. China’s Foreign Ministry response to the DPRK’s rejection of both the UN resolution and a return to the talks revealed unusual exasperation, pointing to the negative effects of DPRK missile tests on the Korean Peninsula and their harmful impact on the DPRK itself. As usual, however, China also reiterated the DPRK’s sovereign independence and its basic “good-neighbourly,” friendly relations with the DPRK (Zhongguo Tongxun She News Agency, 2006).

But in a highly unusual move, China also reportedly cut off oil exports to the DPRK in September 2006, as gleaned from Chinese trade statistics (Kahn, 2006b). This unusual--if brief and unsustainable--instance of negative inducements was followed by a DPRK nuclear test in October 2006. While pressing for taking DPRK’s humanitarian needs into consideration and avoiding military action, this time China responded with unprecedented support for a unanimous UNSC resolution condemning the test; imposing sanctions on the DPRK; and demanding elimination of its nuclear weapons and nuclear programs. A Chinese Foreign Ministry statement used the word *hanran*, suggesting a brazen, flagrant, or serious affront to the nation's dignity by countries that have historically been enemies (Kahn, 2006a). As predictable, the DPRK labeled the UNSC resolution “a declaration of a war.” China began implementing UNSC 1718, inspecting cargo trucks crossing into the DPRK, suspending regular flight service to Pyongyang, closing three customs offices handling trade with the DPRK, and halting a tourist train service from Dandong to Pyongyang (Asia Pulse, 2006b). President Hu’s special envoy carried an undisclosed message to Kim Jong-il, resulting in yet another declaration that Six Party talks would be resumed. As Peking University expert Jia Qingguo suggested “for the six-party talks to resume, North Korea must have made certain promises, such as declaring it would not conduct another nuclear test in the near term” (Oon, 2006).

The short-lived Chinese inspections were superseded by unimpeded bilateral trade, with China exporting oil, food, clothes, appliances and communications technology to the DPRK in exchange for growing amounts of coal, electricity, and minerals. Chinese investments in the DPRK were now also following market forces with increased interest in DPRK mining and raw materials by private and state-owned Chinese enterprises (Yardley, 2006). Property developer Fan Yingsheng, for instance, expressed that the





DPRK's nuclear test would not alter his plans to develop Rajin into a shipping center for Chinese goods. But DPRK demands to release Banco Delta Asia funds compelled China to halt the Six Party talks, renewing Sino-DPRK tensions (Lague, 2007). Following the release of Banco Delta Asia funds, the DPRK disabled the Yongbyon reactor.

China's straddling diplomacy took a new turn when Premier Wen Jiabao declared that Beijing was willing to provide "needed cooperation" to resolve the abduction issue, at a meeting with Premier Abe (International Herald Tribune - Asahi Shimbun, 2007a). The election of Lee Myoung-Bak complicated China's relations with both North and South Korea. China followed the DPRK's launching of short-range missiles in early 2008 with talks to supply the DPRK with energy-related equipment. As previously stipulated in the Six Party talks, the DPRK was to abandon its nuclear program in exchange for 450,000 tons of heavy oil and energy facilities equivalent to 500,000 tons of heavy oil, in addition to other incentives. As the US and the DPRK bargained over the DPRK's removal from the list of state supporters of terrorism in exchange for its complete and verifiable denuclearization, China prodded both sides to honor their commitments. Yet the DPRK removed surveillance cameras and seals from the deactivated reactor at Yongbyon in September 2008.

[Insert Responses to Cheonan incident—Lee Myung-bak cuts most economic links to the DPRK, with 60 percent public support]

Summing up, China's policy vis-à-vis the DPRK has been heavily tilted toward positive rather than negative inducements, influenced by domestic constituencies sympathetic to the DPRK. Furthermore, as Professor Shi Yinling suggested, peace--not denuclearization--is China's number one goal (Landers, 2005). Avoidance of military action in Northeast Asia is crucial for a domestic strategy of political survival that hinges on regional stability, high levels of economic growth and the achievement of a "well-off society."<sup>14</sup> The DPRK's defiance threatens that strategy through the possibility of war, DPRK refugee flows into China, and the possibility of nuclear chain reactions in Japan and South Korea.<sup>15</sup> According to one estimate, a war in the Korean peninsula could

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<sup>14</sup> On internationalizing grand strategies, and China's case, see Solingen (1998, 2006, and 2009).

<sup>15</sup> The latter tend to be overestimated, as argued in Solingen (2010, Potter). On China's preferences, see also You Ji, *Why are the Six-Party Talks Failing? A Chinese Perspective*, [http://www.jamestown.org/publications\\_details.php?volume\\_id=408&issue\\_id=3311&article\\_id=2369719](http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3311&article_id=2369719)



reduce growth by 10–20 percent (Wu, 2005). Unsurprisingly, Premier Wen Jiabao responded to the Cheonan incident with a call for easing tension and avoiding a clash arguing that “Without this, we cannot talk about development, and the achievements we have made with difficulty will evaporate.”<sup>16</sup>

Hence, Chinese leaders’ preference ordering vis-à-vis the DPRK with respect to outcomes has been approximately as follows, from worst to best: leaving the US as a main partner to a unified (or still partitioned) Korean peninsula; a unified and nuclear Korean peninsula; a nuclear DPRK, particularly one with growing strategic capabilities; a unified but non-nuclear Korean peninsula less tied to the US;<sup>17</sup> and a partitioned Korean peninsula with a non-nuclear and China-style reformed DPRK, i.e. a kin internationalizing, less fragile neighbor as a buffer with South Korea. The more preferable choices appear elusive in the foreseeable future, leaving China with unappealing options, as is the case with everyone else. This preference ordering may be in flux, however. As a Chinese expert expressed, “all parties understand that, at the end of the day, internal pressures, not external threats, will bring down the repressive Kim regime.”<sup>18</sup>

Repeated acts of defiance by the DPRK have also exacerbated Chinese leaders’ dilemmas in steering multilateral talks as an “honest broker.” Professor Zhang Yunling, director of the Institute of Asia-Pacific Studies at the Chinese Academy of Social Sciences, suggested that China should deny the DPRK assistance in reforming its economy because it is the role of South Korean investors to finance such economic transformation (Landers, 2005). Qi Baoliang from the China Institutes of Contemporary International Relations argued that China should make it clear to the DPRK that if it continues to ignore China’s advice it may no longer be possible to continue protecting the DPRK (Landers, 2005). Thus far China has not only failed to persuade the DPRK to denuclearize but its efforts to tilt the domestic balance in the DPRK toward economic reform and a soft landing have also proven futile. Every small step toward the introduction of a market economy in the DPRK was followed by several steps backward (and often by the execution of the very North Korean officials that had been assigned to implement reforms).<sup>19</sup>

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<sup>16</sup> Choe Sang-hun, “China Balk’s at criticism of North Korea.” *The New York Times* May 31, 2010:A5.

<sup>17</sup> Denny Roy, January 2004 [http://www.nautilus.org/DPRKBriefingBook/china/ROY\\_PRC.html](http://www.nautilus.org/DPRKBriefingBook/china/ROY_PRC.html)  
China and the Korean Peninsula: Beijing’s Pyongyang Problem and Seoul Hope

<sup>18</sup> On incipient support for regime change among some Chinese as early as 2003, see Denny Roy 2004.

<sup>19</sup> On the DPRK’s economic “reforms,” see Haggard and Noland (2007, 2009).



### III. South Korea's Dilemma: From Sunshine to Sunset?

Roh Tae Woo launched a policy encouraging North-South dialogue in tandem with a program of deepening South Korea's global trade, investment, and technology exchanges. Against the strong export performance of the late 1980s and a more politically inclusive social agenda, Rho announced in mid-1988 a Nordpolitik dialogue with the North and normalization with the Soviet Union and China. There was widespread support for Rho's approach to reunification as an important tool to ensure domestic and regional stability, crucial for South Korea's deepening insertion in the global political economy (Solingen 1998). In 1989 Rho formulated an "Economic Commonwealth" policy toward the North including direct trade and investment, building on South Korean *chaebols* potential interest in shifting labor-intensive operations to the North and the prospects of encouraging the North's "soft-landing" (China-style), a policy reminiscent of Kahler and Kastner's unconditional or transformational strategies introduced earlier. This incremental cooperative pattern, embraced by the South in spite of its overwhelming power resources over the DPRK, was a natural extension of a strategy premised on domestic and regional stability and peaceful change, key to a political economy model that to one extent or another has survived different administrations.

The end of the Cold War opened a new chapter in South Korean-DPRK relations, beginning with the 1991 Joint Declaration calling for denuclearization of the Korean Peninsula and the DPRK's 1992 nuclear safeguard agreement with the IAEA.<sup>20</sup> However, the DPRK's intermittent meandering around its commitments created severe dilemmas for successive South Korean administrations. The possibility of a DPRK attack on South Korea--evident from repeated threats and the Cheonan incident more recently--has been one source of concern.<sup>21</sup> Popular threat perceptions in South Korea, however, appeared lower than ever just as the DPRK acknowledged its growing nuclear potential (Brooke, 2004, p. A3). No less ominous were the potential negative implications of DPRK threats for the stability of South Korea's internationalizing economy.<sup>22</sup> A related major

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<sup>20</sup> For a more complete overview of South Korean policies vis-à-vis the DPRK, see Solingen (2007, chapter 4).

<sup>21</sup> A DPRK official warned South Korea that it would "destroy Seoul in a sea of fire, like a rabid dog barking at the sky, unaware of the fate about to befall it." *FBIS-EAS* (21 March, 1994:14-24, 39-47). The North Korean official was later removed.

<sup>22</sup> South Korean officials acknowledged that promoting chaebol activities in the North was "an inexpensive insurance policy to calm investors, contributing to the \$50 billion that has flowed into



consideration--the prospects for Korean reunification--has remained the Gordian knot of South Korea's domestic debates over policies vis-à-vis the North.

Under President Kim Young Sam, South Korean diplomacy endorsed both positive and negative inducements vis-à-vis the DPRK, urging moderation when the Clinton administration sent a stern warning to the DPRK but also pressing for DPRK compliance with NPT commitments. Some seized on this two-track policy to characterize Kim Young-sam as *naengtang ontang* (blowing hot and cold) for what was perceived as an erratic policy vis-à-vis the DPRK (Foster-Carter, 2003). There was considerable domestic conservative--including military--opposition to propping up the DPRK's regime on the one hand. On the other hand, South Korea was assigned a central role in supplying two 1,000 MW nuclear reactors to the DPRK under the 1994 Agreed Framework. Furthermore, leading business firms associated with the Korean Trade Promotion Corporation (KOTRA) were publicly urging the promotion of trade with the North to take advantage of a low-wage labor force, maintain peninsular stability and sustain foreign investment and tourism.

Kim Dae-Jung vowed to improve dialogue with the DPRK, arguing that economic cooperation benefited not only the DPRK's economy, but South Korea's economy as well (Kristof, 1998, p. A8). In its first "conciliatory gesture" toward the North, Kim offered 50,000 tons of food valued at \$10 million to a DPRK engulfed with starvation. The DPRK responded with a call to wartime mobilization to counter South Korea's presumed military build-up. Kim Dae-Jung proposed a meeting with Kim Jong-Il, provided extensive economic benefits and humanitarian aid through his "sunshine policy," and launched a joint Korean venture to develop Mt. Kumgang into a tourist site. South Korea's capture of a small DPRK submarine in its territorial waters in 1998 did not bring engagement to a halt. When the DPRK fired a Taepong-dong missile into the Sea of Japan in August 1998, South Korea responded by increasing the allowable range of its own missiles but also reducing its 1999 defence budget by 0.4 per cent, for the first time since its founding 50 years earlier.

Yet evidence was mounting of DPRK underground activities near Yongbyon, in

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South Korea since 1997" (Brooke, 2002, p. C1). John Chambers, managing director for sovereign ratings at Standard & Poor's, cited North Korea's nuclear weapons and its economic backwardness for not raising South Korea's bond rating (Brooke, 2003, p. W7). Deputy finance minister Bahk Byong-Won acknowledged, in a year when South Korea's stock market was the world's ninth-worst performer, that the DPRK was "one of the biggest areas of uncertainty about our [economic] outlook" (Lee Han-Deuk, 2005; Pesek Jr., 2004, p. B2).



violation of the 1994 Geneva Agreement, seized upon by the opposition Grand National Party (GNP) to warn against DPRK nuclear activities. The United Liberal Democrats, a party in coalition with Kim Dae Jung's National Congress for New Politics party (NCNP), warned against their partner's unconditional commitment to the 'sunshine policy.' Hyundai, Samsung and the Korea Federation of Small Business began exploring investments in the DPRK. A naval clash in June 1999, following the DPRK's violation of the East Sea North-South boundary, led to dozens of deaths and public pressure, particularly from the GNP which called the Sunshine policy a failure that only prompted more provocations from the DPRK. Kim Dae-Jung resisted the pressure and announced the policy's continuation, labeling a military option an excessive response, urging continued four-party talks in Geneva among the two Koreas, the United States and China, and an easing of US and Japanese sanctions on the DPRK (Yonhap News Agency, 1999d). A policy of unconditional engagement was squarely in place at this time.

The GNP gained control of the legislature in the 2000 elections, arguably sending a signal of discontent with Kim's Sunshine policy, but both parties developed a unified stand with respect to a proposed North-South Summit. However, the GNP did not accept inclusion of its members in the first inter-Korean Summit--held in Pyongyang in June 2000--to avoid DPRK "exploitation." Kim Dae Jung and Kim Jong Il agreed to reunite families, enhance economic development and build trust through social, cultural, sports, and other exchanges. The Summit stimulated further interest by South Korean companies in DPRK investments and led to reopen border liaison offices and reconnecting a railway link that had not operated for 55 years. The GNP raised the issue of South Korean prisoners of war and kidnapped by the DPRK, and opposed additional foreign aid.

Meanwhile the incoming Bush administration criticized the Clinton policy vis-à-vis the DPRK and sanctioned a DPRK company for shipping missile technology to Iran. Policies in South Korea and the US would now begin to diverge further for some time, until the accession of Lee Myung-Bak.

Meanwhile, new DPRK violations of South Korean territorial waters did not impede further economic activities by South Korean business. The opposition GNP criticized state support for Hyundai's activities in the DPRK, claiming the funds would benefit the DPRK's military. Support for favoring lenient policies vis-a-vis the DPRK declined from 53.8 percent in the immediate aftermath of the summit to 69.6 percent opposing concessions a year later (Choson Ilbo, 2001). With overall support for the Sunshine policy declining from 49 percent to 34 percent, the GNP won sweeping victories in parliamentary by-elections, leaving it one seat short of a majority in the National



Assembly. Another inter-Korean naval clash in July 2002 led to a suspension of rice aid to the DPRK but the GNP and United Liberal Democrats (ULD) were calling for cessation of all aid and Mount Kumgang cooperation. The DPRK issued an apology of sorts, regretting the incident as an accident. Inter-Korean talks resumed even as the US applied sanctions on the DPRK for its sale of Scud missile components to Yemen.

Following the DPRK's admission of a clandestine nuclear weapons program in October 2002, the Sunshine policy remained in place as the DPRK approved Kaesong and Mt. Kumgang as special economic zones in addition to Sinuiju and Rajin-Sonbong. But the prospects of instability unleashed by the DPRK's confession raised concerns among South Korean business groups (Yonhap News Agency, 2002b). Upon resuming nuclear activities at Yongbyon, the DPRK abandoned the NPT in early 2003. While reiterating that the nuclear issue should be resolved through dialogue, South Korea advanced the reopening of the Seoul-Sinuiju (Kyongui) Railroad Line and made its opposition to U.N. sanctions against the DPRK clear (Korea Times, 2003a).

President-elect Roh Moo-hyun from the Millennium Democratic Party (MDP) announced his willingness to visit the DPRK even prior to assuming office. The day before he was sworn into office, however, the DPRK launched a missile into the East Sea. Roh pledged to continue his predecessor's policy, re-labeling it "the peace and prosperity policy." The Kaesong Industrial Park was at the heart of this form of engagement, originally launched by thirteen companies led by Hyundai-Asan. The "peace and prosperity policy" was expected to provide a stable environment that decreased military expenditures and, by subsidizing investments in the DPRK, lowered the eventual costs of unification estimated at between \$800 billion and \$1.4 trillion. As he prepared to hold a groundbreaking ceremony for the Kaesong complex, Hyundai Asan president Kim Yoon-kyu stated that since Roh "has a better understanding about the current administration's North Korean business, inter-Korean economic cooperation will be boosted" (Korea Times, 2002).

The Roh government proposed a plan to provide Russian gas to the DPRK in exchange for giving up nuclear ambitions. Furthermore, it abstained from an EU-sponsored UN Commission on Human Rights resolution condemning human rights abuses in the DPRK. This abstention triggered domestic censure of Roh's policies, with National Assembly Speaker Park Kwan-yong (GNP) labeling it an "irresponsible act" (Yonhap News Agency, 2003c). The GNP also argued that engagement had not yielded positive results, and that South Korea was in effect providing financial aid to the DPRK's military (Yonhap News Agency, 2003a). Kotra, South Korea's trade-investment promotion agency, reported that in 2002 South Korea overtook Japan as the DPRK's



second largest trade partner after China. Japan-DPRK trade had declined by 22 percent to \$366 million, while inter-Korean trade had risen by 59 percent to \$642 million” (Foster-Carter, 2003). Roh continued to promote cooperative economic projects through another meeting of the Inter-Korean Economic Cooperation Promotion Committee and supplied 200,000 tons of fertilizer and 400,000 tons of rice aid. Roh’s conciliatory policies notwithstanding, the DPRK declared the 1992 North-South denuclearization agreement null and void.

During a visit to the US, Roh joined President George W. Bush in demanding the complete and irreversible elimination of the DPRK’s nuclear weapons program, a move that alienated his base of support among the young and some legislators. Roh reassured them by stressing that it was too early to talk about sanctions or military action (Yonhap News Agency, 2003d). But the DPRK’s acknowledgement that it finished reprocessing about 8,000 spent fuel rods and diverted plutonium to nuclear bombs weakened Roh’s domestic position further, deepening cleavages even within his own party. Over 100,000 South Korean veterans and supporters demonstrated in Seoul against the DPRK’s nuclear ambitions and domestic repression. The partisan rift between Roh’s party and the GNP over the Sunshine policy reached new heights as the GNP demanded a thorough investigation of a “cash-for-summit” allegation that, in their view, should have made the 2000 Summit “null and void” (Korea Times, 2003b). Roh refused to extend the investigation as requested by special counsel Song Doo-hwan, who found that the Kim Dae-jung government had secretly sent \$100 million to the DPRK shortly before the 2000 Pyongyang summit (Foster-Carter, 2003). The additional \$400 million sent by the Hyundai group, however, was considered legitimate fee-for-business projects. The investigation resulted in the indictment of the main architect of Kim’s “Sunshine” policy and the arrest of a former culture minister for inappropriate pressure on state-owned Korea Development Bank (KDB) to loan funds to Hyundai and for allegedly accepting a bribe from Hyundai.

Despite a deteriorating situation on the nuclear issue, trade, food and other aid to the DPRK continued as the DPRK became South Korea’s top export destination, ahead of China and Japan (Korea Herald, 2003). At this point South Korea’s position vis-à-vis DPRK nuclearization was still very close to that of China’s unconditional engagement, rejecting sanctions and war, criticizing Japan for moving closer to sanctions, and pressing the US for concessions. These policies were favored by 50 percent of the public at this time, with 60 percent expressing willingness to purchase goods from Kaesong (Korea Times, 2004). Public opinion polls also revealed that 59 percent of the public--particularly the young, highly educated, white collar--did not see their security undermined when the



DPRK acknowledged that it had manufactured nuclear weapons. Feelings of insecurity were more prevalent among older, less educated and low income constituencies. Nearly 75 percent supported another intra-Korean summit and only about 23 percent favored sanctions and a freezing of “the peace and prosperity policy” (Choson Ilbo, 2005). This level of domestic support enabled the Roh administration to retain unconditional engagement and oppose referring the DPRK nuclear file to the UNSC.

In the September 2005 Six-Party talks the DPRK committed itself to disabling their nuclear program. Even GNP chairwoman Park Geun-hye, daughter of former President Park Chung Hee, pressed for a more flexible GNP policy vis-à-vis the DPRK. The GNP had lost ground to Roh’s Uri Party in the 2004 congressional elections, possibly reflecting a backlash to the impeachment of Roh Moo-hyun. Yet, when South Korea, once again, abstained from a UN vote censuring DPRK human rights abuses, Park condemned the abstention labeling it a moral failure that would increase South Korea’s isolation (Yonhap News Agency, 2006a). Despite delays in the DPRK’s implementation of its nuclear commitments, economic, business, cultural and other exchanges continued.

New missile tests by the DPRK in July 2006 pushed Japan to sponsor a tough UN resolution condemning the DPRK. While Foreign Minister Ban Ki-moon cautioned against any steps that could lead to the use of military power, South Korea also made aid conditional on the DPRK’s return to the Six Party Talks. It also endorsed the unanimous UNSC Resolution 1695 condemning the DPRK’s missile launches but made clear that additional sanctions were not helpful and that Kaesong would not be affected by the resolution. Kaesong was employing over 6,000 North Koreans by 2006. Ban Ki-moon did warn against a DPRK nuclear test that would trigger much tougher reactions but the DPRK went ahead with its October 2006 nuclear test anyway. With most mainstream political parties condemning the test, and the GNP castigating Roh’s policies and urging sanctions, Roh released a statement asserting that South Korea’s military and its US allies were fully prepared to deal with DPRK provocative acts.

At a meeting with business leaders invested in Kaesong and Mount Kumgang, who insisted that their work advanced Korean reunification and prevented war, Roh pronounced the need for a new approach to the DPRK. Military action would continue to be opposed but financial sanctions would be entertained. UNSC resolution 1718 condemned the nuclear test and imposed sanctions on the DPRK, prohibiting nuclear technology, large-scale weapons, and luxury goods transfers while allowing inspection of cargo to ensure compliance. Yet a South Korean official announced that the resolution was not relevant to inter-Korean businesses links, and South Korea refused to abide by the US-sponsored Proliferation Security Initiative (PSI) aimed at interdicting transfers of





banned weapons and technology. The Korea Chamber of Commerce and Industry also published a report warning that South Korea was falling behind China in developing and extracting natural resources from the DPRK.

A group named National Crisis Council of Korea (NCCCK) issued its third statement criticizing the Roh government for its DPRK policies. Public support for an inter-Korean summit was now up to 30 (from 11.1 per cent in 2005). Only 16.8 per cent favored US lifting of sanctions on the the DPRK, while 40.8 per cent thought the two need to take action simultaneously (Yonhap News Agency, 2006c). The suspension of inter-Korean contacts following the 2006 missile launches and nuclear test continued into early 2007, as about two-thirds of public opinion thought the government should exercise prudence in resuming talks with the DPRK.<sup>23</sup> As Uri party legislators accompanied business leaders to the DPRK in various missions, GNP presidential contender Park Geun-hye criticized Roh's DPRK engagement policy for leading to crisis rather than stability.<sup>24</sup> She also encouraged far more conditional policies setting clear time frames for the dismantlement of DPRK nuclear facilities and its denuclearization.<sup>25</sup> With the December 2007 elections looming, the GNP also criticized presidential hopeful and former Unification Minister Cho'ng Tong-yo'ng for a proposal to hold an inter-Korean summit in Kaesong.<sup>26</sup> The Rho administration did condition South Korea's food shipments to the DPRK, in accordance to Six-Party talks commitments, on dismantling nuclear facilities. Yet unconditional engagement remained in place as Unification Minister Lee Jae-joung promised more inter-Korean cooperation.<sup>27</sup> Indeed, in a significant shift in policy, the GNP announced its support for a more conciliatory approach to the DPRK.<sup>28</sup>

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<sup>23</sup> Korea Times: 65% Oppose Hasty Talks With North, Korea Times, February 17, 2007.

<sup>24</sup> Rep. Kim Hyo'k-kyu expressed that "for small-and medium-sized South Korean firms, North Korea can be a land of new promise" (South Korean pro-government lawmakers to visit North Korea, Yonhap News Agency, April 23, 2007); Presidential hopeful criticizes South Korea's policy towards North, Yonhap News Agency, January 11, 2007.

<sup>25</sup> South Korean presidential hopeful urges timeframe for North Korea nuclear issue, Yonhap News Agency, April 9, 2007).

<sup>26</sup> South Korean presidential hopeful to propose summit on North Korea visit, Yonhap News Agency, March 28, 2007.

<sup>27</sup> South Korea unification minister vows to broaden cooperation with North, Yonhap News Agency, June 8, 2007.

<sup>28</sup> Korea Times: GNP's New North Korea Policy, Korea Times, July 6, 2007.



The October 2007 Roh-Kim summit ended with a Joint Declaration to increase economic, cultural and social exchanges. But GNP candidate Lee Myung-bak advanced a more conditional policy to offer the DPRK humanitarian and economic aid while helping it set up 100 firms exporting US\$3 million a year each and train 300,000 DPRK workers. His main GNP opponent labeled Lee Myung-bak's policy "ambiguous," not conditional enough, calling for greater strict reciprocity and DPRK full denuclearization. The DPRK failed to submit a comprehensive list of its nuclear activities by the end of 2007. With Lee Myung-Bak's election, pressure on the DPRK to reveal past nuclear activities; to open its economy to the rest of the world; and to respect human rights, mounted by early 2008. Lee also aligned South Korea with US positions, including demands for disclosure of uranium enrichment activities and exports to Syria. Lee's political opposition responded with sharp criticism of his new conditional engagement policies. Lee's government promised 1,000 tonnes of copper to the DPRK upon completion of Yongbyon's disablement and suggested holding reconciliation talks with the DPRK but also conditioned inter-Korean cooperation projects on its complete denuclearization. Lee ended the South's annual supply of 500,000 tons of rice and 300,000 tons of fertilizer provided unconditionally during the "Sunshine," now demanding official requests for help, monitoring of assistance, and complete denuclearization before any major expansion of cooperation.<sup>29</sup> At the same time, Lee also considered providing the DPRK with some limited food aid if public opinion supported it.

With the DPRK shooting a South Korean tourist and its resumption of nuclear activities relations deteriorated further, culminating with the May 2009 DPRK second nuclear test. South Korea joined the Proliferation Security Initiative in response. Reaching its lowest point in early 2009, inter-Korean relations improved slightly later that year with the one-time resumption of family reunions and an improvement in trade.<sup>30</sup> Yet pressures on the DPRK regarding abductees and unreturned prisoners of war remained, and DPRK exports of silica sand, anthracite, and pine mushrooms into the South were monitored and limited. DPRK tests of short-range missiles in the Sea of Japan triggered no formal complaints by the South. Indeed in October the South transferred \$714,000 worth of communications equipment to the DPRK. A DPRK patrol boat ventured into South Korea's waters south of the Northern Limit Line in November, yet in December 2009 the South supplied medical aid and vaccines against influenza A (H1N1). In March 2010 the DPRK's military threatened South Korea and the US with

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<sup>29</sup> [http://csis.org/files/publication/0904qnk\\_sk.pdf](http://csis.org/files/publication/0904qnk_sk.pdf)

<sup>30</sup> [http://csis.org/files/publication/0904qnk\\_sk.pdf](http://csis.org/files/publication/0904qnk_sk.pdf)



"unprecedented nuclear strikes" in an apparent reaction to reports that the two were coordinating for possible instability in the DPRK. In sharp contrast to the political atmosphere, data for March 2010 suggested that inter-Korean trade increased nearly 90 percent compared with the same period a year earlier. Kaesong was employing 43,000 North Koreans in early 2010.

[to be continued—Economic “reform” in the DPRK; DPRK succession, Cheonan incident]<sup>31</sup>

## IV. Conclusions

Neorealist theories do not work well in explaining the failure of China, Japan, and South Korea to change the DPRK’s behavior. Each of the three has massive superiority over the DPRK by every relevant measure of power (military, economic, political). China may have only relied on a “hegemony light” strategy but it remains unclear whether a heavier hand would have yielded better results. In any event, the fact that China has not even tried a tougher stand in any consistent way is better explained by the primacy of stability and growth in the calculations of China’s leadership, rather than by gross assessments of relative power between China and the DPRK. Japan’s progression to greater conditionality resulted in declining aid and trade relations with the DPRK whereas China’s commitment to unconditional engagement has turned it into the DPRK’s main lifeline to the external world. The latter has not necessarily translated into the exercise of stronger leverage on China’s part to rein in DPRK’s behavior regarding nuclearization, missile launches and military provocations against South Korea, or to persuade the DPRK leadership to undertake China-style reforms.

Kahler and Kastner (2006) hypothesized that conditional engagement strategies will be less likely to succeed if the sender state is a democracy, especially when underlying economic incentives to trade with or invest in the target state are strong. The underlying economic incentives of Japanese firms vis-à-vis the DPRK were not strong, and the policy crumbled in any case under the weight of the *racchi jiken* issue. Despite differences in regime type (democracy-non-democracy), both China and South Korea (after Kim Dae-Jung) relied on unconditional, transformational strategies that would minimize instability in the short and medium-term and, in the case of South Korea, facilitate eventual Korean

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<sup>31</sup> East Asia Institute: [http://www.eai.or.kr/data/bbs/eng\\_report/201005271219030.pdf](http://www.eai.or.kr/data/bbs/eng_report/201005271219030.pdf)



unification. Such strategies entail long time horizons and may also incur repeated disappointments, hence Kahler and Kastner (2006) note that they require a broad and stable consensus to succeed. The strategies have not yet succeeded in the case of the DPRK but have certainly required some stable consensus within senders to be *sustained*. The sources and sustainability of that consensus differed for South Korea and China. South Korea's multiparty democracy enabled significant challenges to the Sunshine policy whereas China's centralized leadership was able to stay the engagement course despite growing domestic disagreement over its merits. At the same time, even a more hardline Lee Myung-bak administration has proven bound by a rather tolerant popular majority favoring restraint toward the DPRK. Political leaders in South Korea must contend with public opinion swings on this issue. And even China's centralized leadership--favoring unconditional engagement--must be sensitive to pressure from groups growing less and less tolerant with DPRK intransigence.<sup>32</sup>

Regarding policy outcomes, Japan's shift to conditional engagement had meager results. South Korea's unconditional engagement failed to act as a constraint on the foreign policy behavior of the DPRK (at best it has been a weak constraint), let alone to have transformative effects on the DPRK thus far. China's unconditional engagement may have constrained the DPRK only slightly more than South Korea's. But the overall failure of engagement policies may have less to do with senders' strategy than with the nature of the target. The DPRK remains a quintessential inward-looking political economy still driven by *juche*, and a quintessential autocratic state. Neither makes it highly receptive to external inducements, positive or otherwise, conditional or unconditional.<sup>33</sup> Both the DPRK's autarkic political-economy and closed institutional makeup have made it extremely robust against either Japan's conditional or China and South Korea's transformative strategies.

[to be completed after field research]

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<sup>32</sup> As professor Chu Shulong, among an influential group of Chinese scholars, argued, "The Chinese government so far has done too much to protect North Korea... Why should we protect them? Why should we treat them so specially? I think China needs to change its approach." *The New York Times*, May 24, 2010:A6. A poll released by the BBC reports a plummeting in the percentage of Chinese that view the DPRK positively, from 42 to 24 percent within the last year, the lowest level in four years Barbara Demick, "China Praises North Korea," *Los Angeles Times* May 8, 2010:A6.

<sup>33</sup> On the DPRK as a quintessential inward-looking autocracy, and its implications for its nuclear behavior, see Solingen (2007, chapter 6).



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