

## **Chapter 2**

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### **The Korean Peninsula— Active US-DPRK Dialogue and a New Administration in South Korea**



The Roh Moo-hyun administration, during its five years in power in the Republic of Korea (ROK or South Korea), continued to display a conciliatory stance towards the Democratic People's Republic of Korea (DPRK or North Korea) despite that nation's testing of nuclear weapons. This mollifying approach culminated in the Inter-Korean Summit held with Chairman of the National Defence Commission Kim Jong Il in October 2007. The summit was groundbreaking in terms of proposing a policy to transform the current armistice regime into a permanent peace regime. At the same time, however, the summit avoided direct mention of the issue of North Korea's abandonment of nuclear weapons, and problems remain such as the likelihood that the north-south border in the Yellow Sea insisted on by South Korea will become blurred to suit the interests of North Korea. The resolution of these problems, along with the task of rebuilding the US-South Korea alliance following its temporary deterioration under the Roh Moo-hyun administration, will be left to President Lee Myung-bak, whose conservative Grand National Party (GNP) is returning to power for the first time in ten years.

North Korea's nuclear test in October 2006 achieved the results the country expected. The United States reversed its hard-line policy towards North Korea and began displaying a willingness to proactively engage in negotiations with that country. Consequently, in order to implement the Joint Statement of the Fourth Round of the Six-party Talks on September 19, 2005 (hereafter, "September 2005 Six-party Joint Statement"), participants in the Six-party Talks adopted two joint statements (the Initial Actions for the Implementation of the Joint Statement, hereafter "Initial Actions," and the Second-phase Actions for the Implementation of the Joint Statement, hereafter "Second-phase Actions"). Nevertheless, North Korea failed to fulfill its promises to disable all its nuclear facilities and submit a complete declaration of all its nuclear programs, both of which actions were expected to be completed by the end of 2007. The road toward North Korea's complete abandonment of its nuclear weapons and nuclear programs will likely be a long and winding one.

## **1. Inter-Korean Summit and Subsequent Tasks**

In 2007, President Roh Moo-hyun traveled to Pyongyang to attend talks with Chairman Kim Jong Il, from October 2 to 4. This was the second direct meeting between ROK and DPRK leaders and the first summit since the June 2000 meeting between President Kim Dae-jung and Kim Jong Il.

The holding of the summit in 2000 was itself highly significant, but the South-North Joint Declaration (June 15 Joint Declaration) that resulted from the meeting was only a general agreement that included the effort to independently resolve the question of reunification. In contrast, the Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity (hereafter, “October 4 Declaration”), signed by Roh Moo-hyun and Kim Jong Il, included more concrete wording, such as the pledge for future joint economic projects between the two countries. Unlike the earlier declaration, there were also statements regarding South-North cooperation on military issues, including (a) ending military hostilities between the two countries; (b) ending the current armistice regime that has been in place since the Korean War (1950-53) and building a permanent peace regime; and (c) resolving the nuclear issue on the Korean Peninsula.

As a concrete measure towards ending military hostilities, the establishment of a joint fishing area and a peace area in the Yellow Sea (West Sea) was proposed, with the aim of avoiding accidental clashes, and the pledge was also made to hold defense ministerial talks in Pyongyang in November 2007 to discuss those maritime border issues and other military confidence-building measures. The two sides also agreed, for the sake of economic development, on the establishment of a “special peace and cooperation zone in the West Sea” that will encompass both countries’ maritime borders on the Yellow Sea as well as areas in the vicinity of North Korean territory.

In connection to the aim of transforming the current armistice regime into a

## Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity (excerpts)

(abridged)

3. The South and the North have agreed to closely work together to put an end to military hostilities, mitigate tensions and guarantee peace on the Korean Peninsula.

The South and the North have agreed not to antagonize each other, reduce military tension, and resolve issues in dispute through dialogue and negotiation.

The South and the North have agreed to oppose war on the Korean Peninsula and to adhere strictly to their obligation to nonaggression.

The South and the North have agreed to hold talks between the South's Minister of Defense and the North's Minister of the People's Armed Forces in Pyongyang in November to discuss ways of designating a joint fishing area in the West Sea (Yellow Sea) to avoid accidental clashes and turning it into a peace area and also to discuss measures to build military confidence, including security guarantees for various cooperative projects.

4. The South and the North both recognize the need to end the current armistice regime and build a permanent peace regime. The South and the North have also agreed to work together to advance the matter of having the leaders of the three or four parties directly concerned to convene on the Peninsula and declare an end to the war.

With regard to the nuclear issue on the Korean Peninsula, the South and the North have agreed to work together to implement smoothly the September 19, 2005 Joint Statement and the February 13, 2007 Agreement (Initial Actions) achieved at the Six-Party Talks.

5. The South and the North have agreed to facilitate, expand, and further develop inter-Korean economic cooperation projects on a continual basis for balanced economic development and co-prosperity on the Korean Peninsula in accordance with the principles of common interests, co-prosperity and mutual aid.

(abridged)

The South and the North have agreed to create a "special peace and cooperation zone in the West Sea" encompassing Haeju and vicinity in a bid to proactively push ahead with the creation of a joint fishing zone and maritime peace zone, establishment of a special economic zone, utilization of Haeju harbor, passage of civilian vessels via direct routes in Haeju and the joint use of the Han River estuary.

(abridged)

The South and the North have agreed to upgrade the status of the existing Inter-Korean Economic Cooperation Promotion Committee to a Joint Committee for Inter-Korean Economic Cooperation to be headed by deputy prime minister-level officials [to facilitate ROK-DPRK economic cooperation].

(abridged)

8. The South and the North have agreed to increase cooperation to promote the interests of the Korean people and the rights and interests of overseas Koreans on the international stage.

The South and the North have agreed to hold inter-Korean prime ministers' talks for the implementation of this Declaration and have agreed to hold the first round of meetings in November 2007 in Seoul.

The South and the North have agreed that their highest authorities will meet frequently for the advancement of relations between the two sides.

October 4, 2007 Pyongyang

Roh Moo-hyun  
President  
Republic of Korea

Kim Jong Il  
Chairman, National Defence Commission  
Democratic People's Republic of Korea

Source: Website of the ROK Office of the President (<http://www.president.go.kr/>)

permanent peace regime, a proposal was made of having the leaders of the three or four parties directly concerned declare an end to the war on the Korean Peninsula. The ROK and DPRK also pledged to make a joint effort to implement the agreement of the Six-party Talks regarding the nuclear issue.

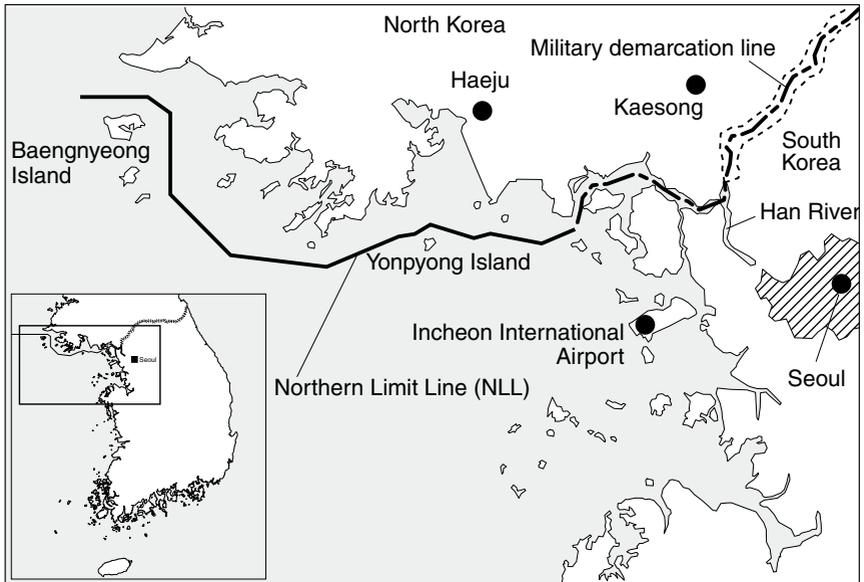
These policies and pledges stipulated in the October 4 Declaration are viewed by some experts as having the potential to bring about a positive change in the security situation on the Korean Peninsula. At the same time, however, the possibility does exist that their implementation could have a negative impact on the security of South Korea, or that the interpretation of the October 4 Declaration could become a source of complications, either between the two countries or on an international scale.

First of all, the five islands in the Yellow Sea that have been governed by South Korea since the end of the Korean War are located within the maritime area being considered for the joint fishing area and peace area, and the Northern Limit Line (NLL) connects those five islands and the estuary of the Han River. The NLL was unilaterally set by the United Nations Command (UNC) after the armistice was signed. South Korea has viewed the NLL as the de facto border between South and North and has been diligent in not allowing vessels from either country to cross the boundary.

The DPRK, meanwhile, has viewed the NLL as invalid according to international law and the Korean Armistice Agreement, and has continued to maintain its stance of refusing to recognize the NLL. In September 1999, North Korea proclaimed a maritime military demarcation line located south of the NLL. At meetings between military officials from the ROK and DPRK, which have been held intermittently since the Inter-Korean Summit of 2000, Pyongyang has frequently called for the eradication of the NLL and creation of a new maritime border. In addition to its discussions with the ROK, the DPRK has crossed the NLL with fishing boats and at times military vessels. As a result, there have been exchanges of fire between DPRK and ROK military vessels, the most recent incidents being in June 1999 and June 2002.

The location and nature of the peace area are being hammered out in ROK-DPRK discussions. And there is the possibility that in the course of these discussions the DPRK will seek the removal of the ROK military from that area. If South Korea accepts the North Korean demands, the vulnerability of not only the five islands in the Yellow Sea but also the coastal area around the capital Seoul

**Figure 2.1. Expected location of “special peace and cooperation zone in the West Sea”**



will be heightened. Bases for North Korean military vessels and spy boats are located near the islands and there have been cases of those vessels penetrating South Korean territory by way of the estuary of the Han River.

There seem to have been differences of opinion within the Roh Moo-hyun administration regarding whether or not to maintain the NLL. President Roh Moo-hyun had said that “the NLL was drawn unilaterally (by the UNC)” and he also expressed the view that it would not violate the Constitution to change the NLL because South Korea’s Constitution defines North Korea as part of the ROK’s territory. Such statements by the South Korean president were interpreted as meaning that the consent of the DPRK would be sought even if the NLL were effectively shelved. In a speech delivered just after his return to Seoul from the Inter-Korean Summit, Roh Moo-hyun referred to the special peace and cooperation zone in the Yellow Sea as the most crucial agreement, expressing enthusiastic support for its implementation. Meanwhile, key ROK defense officials, such as Minister of National Defense (and former Army Chief of Staff) Kim Jang-soo and Chief of Naval Operations Song Young-moo, repeatedly stated that the redrawing

of the NLL was out of the question and that the safety of Seoul depends on firmly maintaining that line.

From the end of the October Inter-Korean Summit to late December, numerous talks were held between ROK and DPRK officials, at various levels, to concretely implement the October 4 Declaration. The aim of the talks, apparently, was to firm up whatever could be concretized in order for the line of economic cooperation between the ROK and DPRK to continue even after the new government entered power in South Korea in February 2008. However, high-level talks—including both the South-North Korean Prime Ministers Meeting in Seoul (November 14–16) and the defense ministerial talks in Pyongyang (November 27–29)—failed to produce a concrete agreement regarding the location and boundary of the joint fishing area in the Yellow Sea. It was reported that the North Korean side ignored the NLL and sought for the joint area to be established further south, whereas the South Korean side proposed that the joint area should be set evenly from the NLL, thus reflecting the South Korean Defense Ministry's standpoint of maintaining the NLL.

Second, there was ambiguity surrounding the idea of declaring an end to the war and building a peace regime. To begin with, there was the question of the specific meaning of “three or four parties.” According to the explanation given by President Roh Moo-hyun after he returned from the Inter-Korean Summit, this expression was taken directly from the proposal drafted on the North Korean side. He interpreted the expression as meaning that China could participate if it officially expressed the intent to do so.

Previously, the DPRK's intention was to not involve South Korea in the issue because Seoul had not signed the Korean Armistice Agreement. In December 1994, the DPRK had China, which was one of the signatories of the agreement, transfer its remaining Chinese People's Volunteers representatives stationed in North Korea back to China. Meanwhile, in April of that same year, North Korea sought negotiations with the United States to establish a peace mechanism and continued to hold the position that both countries would be the only two parties concerned. Even when South Korean President Kim Young-sam and US President Bill Clinton in April 1996 proposed holding four-party talks, which were to include North Korea and China, it is said that the DPRK was averse to the participation of China and South Korea.

Following the recent Inter-Korean Summit, the Chinese government has

emphasized its position that China, as a signatory of the Korean Armistice Agreement, should naturally participate in the declaration of the end of the war. The United States has also made clear its position on having four parties involved, including China. In response to this trend, the South Korean government has also arrived at the clear stance of advocating the four parties' participation. On October 26, 2007, for example, Minister of Foreign Affairs and Trade Song Min-soon indicated that the ROK and DPRK would play the leading role while the United States and China would be involved in an appropriate manner. North Korea, on the other hand, did not clarify its own stance, and seemed intent on using the discussion over the parties involved in the declaration of an end to the war as a means of achieving its own agenda (e.g., receiving economic assistance and obtaining diplomatic concessions from the United States).

Problems also remain regarding the sequence for declaring of the end of the war and building a peace regime. Seemingly, the Roh Moo-hyun administration called for the declaration of the end of the war prior to denuclearization, viewing the declaration as a means of advancing denuclearization and building a peace regime. More specifically, the administration made clear its view that because denuclearization and the conclusion of a peace agreement require time, it is best to generate momentum for that process by first having the heads of state issue some sort of declaration. In contrast, the United States has held the position that denuclearization by North Korea would represent significant progress that would be the starting point of talks, so that the conclusion of the peace agreement would be possible after denuclearization, which is a position that differs clearly from that of South Korea.

Third, the ROK and DPRK did not make explicit, in writing, that North Korea would carry out denuclearization. Ever since the Kim Dae-jung administration, South Korea has avoided making a strong demand for denuclearization by North Korea during talks between ROK and DPRK officials. After returning home from the Inter-Korean Summit, Roh Moo-hyun explained that the ROK and DPRK had pledged to make joint efforts to resolve the issue of denuclearization and that Kim Jong Il had reconfirmed that the Joint Declaration on the Denuclearization of the Korean Peninsula is an important declaration and that the principle should be maintained in the future. That joint south-north declaration, which was signed by the prime ministers of both countries in January 1992 as a pledge to make the Korean peninsula nuclear-free, banned the possession by either country of not

only nuclear weapons but also facilities for nuclear reprocessing and uranium enrichment. Subsequently, however, at a gathering with a South Korean press club, Roh Moo-hyun explained that the September 2005 Six-party Joint Statement, which was quoted in the recent October 4 Declaration, had a reference to the Joint Declaration on the Denuclearization of the Korean Peninsula. It is not clear whether Kim Jong Il spoke directly to Roh Moo-hyun about denuclearization and the joint declaration on the denuclearization at the Inter-Korean Summit.

In addition, other parts of the October 4 Declaration emphasize enhanced South-North cooperation on the international stage. There is also the possibility that North Korea will respond to a case where the Lee Myung-bak administration strongly demands the DPRK to carry out denuclearization by saying that it violates the October 4 Declaration and this would result in a temporary cooling of ROK-DPRK relations.

## **2. North Korea—Achievements in “Nuclear Diplomacy” and Remaining Problems**

### **(1) Active US-DPRK Dialogue and Agreement on the Initial Actions**

During North Korea’s second round of nuclear diplomacy—running from the announcement of its withdrawal from the Nuclear Non-proliferation Treaty (NPT) in January 2003 up to the present—Pyongyang has used nuclear development as diplomatic lever in an attempt to preserve its regime by normalizing relations with Japan and the United States, obtaining the pledge that the United States will not launch a military attack against the DPRK, and securing energy sources by receiving heavy oil aid and a light-water reactor (LWR). The September 2005 Six-party Joint Statement indicated that in return for the DPRK’s abandonment of all nuclear weapons and existing nuclear programs, the other parties would provide energy assistance to North Korea. The process stalled, however, when the US Department of the Treasury on September 15, 2005, citing suspicions of money laundering and financial crimes, froze North Korea-related assets deposited in the Macao-based bank, Banco Delta Asia (BDA). The financial sanctions implemented by the United States were a natural policy to deal with illegal activities that threatened its own economic stability, but at the same time the sanctions were designed as being a new means of clamping down on the DPRK in a situation where the military option was not available.

Subsequently, North Korea's top priority became the removal of the financial sanctions. The DPRK made the removal of the sanctions a precondition for returning to the Six-party Talks, while at the same time engaging in dangerous behavior using its nuclear capabilities. The removal of financial sanctions was a key task for North Korea because they posed a serious problem to the leadership of Kim Jong Il, and had delivered a significant blow to the economic activities of not only the top DPRK leadership but also (as will be discussed later) the "red capitalists," the current political elite in the country who are involved in the acquisition of foreign currency. For North Korea, the financial sanctions represented "an effort to destroy the system in the DPRK by stopping its blood from running." In addition to freezing approximately \$25 million in assets deposited at BDA, the US financial sanctions also led financial institutions throughout the world to refrain from involvement with DPRK-related transactions.

When its repeated calls for the lifting of financial sanctions elicited no positive response from the United States, the DPRK launched seven missiles in July 2006, including the Taepodong-2. Later that same year, in October, North Korea sharply escalated its brinkmanship diplomacy by conducting a nuclear test. The United States and Japan responded by calling on the United Nations Security Council (UNSC) to take strong countermeasures, which resulted in the adoption of UNSC Resolution 1695 against the missile launches and UNSC Resolution 1718 against the nuclear test.

Subsequently, it appeared that the pressure on Pyongyang would be stepped up, but the US diplomatic stance began to change at the end of October. The United States began to strengthen its engagement with North Korea in a bid to prevent the additional production and proliferation of nuclear weapons and blunt domestic criticism that its policy towards North Korea had failed. This new trend became even clearer after the Democratic Party gained control of the House of Representatives in the November 2006 midterm election, held against the backdrop of a deadlocked situation in Iraq. Amidst this changing situation, a US-DPRK bilateral working group (WG) met in Beijing on December 19, 2006 to deal with the issue of financial sanctions. On January 16, 2007, a meeting between the US and DPRK heads of the Six-party Talks was held in Berlin, with North Korea displaying a positive attitude towards the shift in US policy. That same month, on the 26th, a US-DPRK experts group meeting was held in Beijing, and was followed on February 8 with the third session of the fifth round of the Six-

party Talks. The outcome of these talks was the adoption of the Initial Actions.

The DPRK, however, took the stance that the Initial Actions to be implemented within sixty days would not be carried out until the United States completely lifted the sanctions that froze North Korean funds deposited in BDA, and it also boycotted the sixth round of the Six-party Talks, scheduled for March. For its part, the United States, which had initially insisted that the financial sanctions were unrelated to the nuclear issue, made a compromise and on April 11 the US Department of the Treasury announced a complete lifting of the sanctions freezing DPRK funds. However, even after the sanctions were lifted, the technical issue arose regarding how to transfer the affected funds to North Korea. The DPRK stated that it would only begin to implement the actions agreed on once it was in possession of the funds, rather than once the sanctions were lifted. Thus, through a number of twists and turns, the funds deposited in BDA were transferred to the Central Bank of the Russian Federation via the Federal Reserve Bank of New York (which operates under the Federal Reserve Board), and then from the Russian central bank the funds were in turn transferred to a North Korean account in Dalkombank (Far East Commercial Bank). The DPRK adopted the resolute stance of not implementing any action—even if it meant violating the arrangement stipulated in the joint statement—until the funds were transferred, rather than acting once the financial sanctions had been lifted. North Korea only finally began to implement the Initial Actions on July 14, two days after South Korea had begun supplying it with heavy oil, when it announced to the United States that it had shut down nuclear facilities in Yongbyon.

Subsequently, the heads of delegation meeting for the Six-party Talks was held from July 18 to 20, including the convening of the WG on the normalization of Japan-DPRK relations, and the decision was made to convene all five of the WGs agreed on in the September 2005 Six-party Joint Statement before the end of August. This was followed by the second session of the sixth round of the Six-party Talks, held in late September, which confirmed the implementation of the Initial Actions—involving the shutting down and sealing of nuclear facilities in Yongbyon and carrying out inspections and verifications—and on that basis the parties discussed the denuclearization issues of (a) a complete DPRK declaration regarding all of its nuclear programs and (b) the dismantling of all existing nuclear facilities, as well as issues related to the measures to normalize Japan-DPRK and US-DPRK diplomatic relations and the providing of economic and energy

assistance. After discussion based on the reports of the five WGs, the Second-phase Actions were announced.

For the Second-phase Actions, North Korea agreed to disable its five-megawatt experimental reactor, reprocessing plant, and nuclear fuel rod fabrication facility at Yongbyon, with the United States leading the disablement activities and providing the initial funding to carry them out. North Korea also pledged to provide a complete declaration of all its nuclear programs by the end of 2007. The United States, in line with the actions taken by North Korea, agreed to remove the designation of the DPRK as a state-sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK. In addition, it was confirmed that economic, energy, and humanitarian assistance up to the equivalent of 900,000 tons of heavy fuel oil would be provided to the DPRK, and it was decided that the Six-party Ministerial Meeting would be held in Beijing at an appropriate time, preceded by a heads of delegation meeting. However, North Korea failed to keep its promise to disable all its nuclear facilities and submit a complete declaration of all its nuclear programs by December 31, 2007. The road toward North Korea's complete abandonment of its nuclear weapons and nuclear programs will likely be a long and winding one.

Recent years have also seen the development of ballistic missiles in North Korea. In addition to the Taepodong-2 missile launched in 2006, the DPRK has reportedly developed and tested KN-02 short-range missiles that can travel 100 to 120 kilometers. North Korea is also developing the Musudan missile, based on the Soviet-era R-27 missile, and it is said to have a range of approximately 2,500 to 4,000 kilometers and the capability of being fired from land or submarine.

## **(2) Comparison of the Agreed Framework and the Initial Actions**

The Initial Actions are similar to the October 1994 Agreed Framework that the United States and North Korea adopted in Geneva in the sense that North Korea seeks a guarantee for regime survival and economic assistance in return for denuclearization. While sharing such fundamental points, however, the two agreements are also marked by a number of differences (see Table 2.1).

A point in common between the Initial Actions and the Agreed Framework is that in both cases the DPRK engaged in hostile brinkmanship, employing nuclear weaponry as a bargaining chip, in order to reach agreements to ensure the survival of its regime by improving its ties with the United States. Moreover, both

**Table 2.1. Comparison of the Agreed Framework and the Initial Actions**

Timetable	Agreed Framework		Initial Actions	
	North Korea	US & Others	North Korea	US & Others
T+0 or ASAP	US & DPRK experts discuss (a) alternative energy and LWR, and (b) arrangements for spent fuel storage and ultimate disposition. <u>Remain a party to NPT, and allow implementation of safeguards agreement.</u> Allow IAEA to monitor the freeze on the DPRK's graphite-moderated reactors and related facilities.	Negotiations regarding the LWR begin. Provide formal negative nuclear security assurances to DPRK.		
T+1 month or 30 days	<u>Freeze on graphite-moderated reactors and related facilities implemented.</u>		Five WGs, including the "Northeast Asia Peace and Security Mechanism," meet.	Parties hold the sixth round of the Six-party Talks on March 19, 2007.
T+60 days			<u>Shut down and seal Yongbyon nuclear facility</u> Invite back IAEA personnel to carry out all necessary monitoring and verification. Discuss the list of all DPRK nuclear programs, including plutonium extracted from used fuel rods.	Bilateral US-DPRK talks for resolving pending bilateral issues and moving toward full diplomatic relations begin. US begins process of removing designation of DPRK as a state-sponsor of terrorism and advances the process of terminating the application of the Trading with the Enemy Act to DPRK. Bilateral Japan-DPRK talks aimed at normalization begin. <u>Provision of assistance equivalent to 50,000 tons of heavy fuel oil commences.</u>
T+3 months	Inspections for the continuity of safeguards continue at the facilities not subject to the freeze.	<u>Annual provision of 500,000 tons of heavy fuel oil to the DPRK begins (provided until completion of the first LWR).</u> US & DPRK reduce barriers to trade and investment.		
Upon conclusion of the supply contract	Ad hoc and routine inspections resume at the facilities not subject to the freeze.			
Once the initial actions are implemented				Six parties hold a ministerial meeting.
T+6 months		Secure the conclusion of a supply contract for the LWR.		
During construction of the LWR	<u>Store spent fuel and dispose of the fuel.</u>			
When a significant portion of the LWR project is completed, but before delivery of key nuclear components	Come into full compliance with safeguards agreement.			
T+9 years	<u>Dismantle graphite-moderated reactors and related facilities.</u>	<u>Provide a two-million kilowatt LWR by 2003.</u>		
Not specified	Take steps to implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula. Engage in North-South dialogue.	US & DPRK conclude an agreement for cooperation in the field of peaceful uses of nuclear energy. US & DPRK open a liaison office in the each other's capitals. US & DPRK upgrade bilateral relations to the ambassadorial level. US & DPRK move toward full normalization of political and economic relations.	Provide a complete declaration of all nuclear programs and <u>disable all existing nuclear facilities.</u>	<u>Provide assistance equivalent to one million tons of heavy fuel oil (including the initial shipment equivalent to 50,000 tons of heavy fuel oil).</u> Directly related parties negotiate a permanent peace regime on the Korean Peninsula.

Sources: Compiled from media reports and other sources

Note: Particularly important points are underlined.

agreements sought to freeze the North Korean nuclear facilities.

At the same time, however, there are also a number of differences between the two agreements. First of all, the parties to the Agreed Framework are only the two signatories—the United States and North Korea—whereas the September 2005 Six-party Joint Statement and Initial Actions were signed by six countries (North Korea, the United States, China, South Korea, Japan, and Russia) and in theory all six are to engage in the resolution of the nuclear issue and share the responsibilities and costs for it. Thus, compared to the Agreed Framework, the material and economic burden in the Initial Actions placed on Japan and the United States is likely to be lighter for a short term, while that of China and Russia would increase. South Korea would play an important role according to the Initial Actions, as in the Agreed Framework, and would thus have more or less the same level of material and economic obligation.

The second difference concerns the freezing of nuclear facilities. Under the Agreed Framework, the freeze on the facilities would be fully implemented within one month of the date of the document and the facilities would subsequently be monitored by the International Atomic Energy Agency (IAEA). In the case of the Initial Actions, however, because all of the facilities (including the reprocessing facilities) are completely abandoned within sixty days of the agreement, the IAEA monitoring would be carried out simultaneous to the cessation of activities and sealing of the facilities.

Third, there is a difference in energy assistance between the two agreements. The Agreed Framework called for the supply of 500,000 tons of heavy fuel oil one time per year over a period of approximately nine years, for a total of around 4.5 million tons of heavy fuel oil. Under the Initial Actions, meanwhile, only one million tons of heavy fuel oil assistance was pledged, and instead of specifying the period of assistance it was simply indicated as taking place during the “disablement of all of the existing nuclear facilities.”

The fourth difference pertains to the LWR. Under the Agreed Framework, an LWR with an output of 2 million kilowatts would be provided by the target year of 2003. In contrast, according to the September 2005 Six-party Joint Statement the agreement made was “to discuss, at an appropriate time, the subject of the provision of light-water reactor to the DPRK,” and that “appropriate time” was not specified. Moreover, the Initial Actions did not mention providing an LWR.

Fifth, in terms of the security assurances and the peace regime under the Agreed

Framework, the only formal assurance was the “negative security assurance” made “against the threat or use of nuclear weapons.” No mention was made of the peace regime sought by North Korea. In contrast, the Joint Statement declared that the “Six Parties committed to joint efforts for lasting peace and stability in Northeast Asia” and that the “directly related parties” would “negotiate for a permanent peace regime on the Korean Peninsula.” Moreover, under the Initial Actions, the measures specified the formation of a WG to address the Northeast Asia Peace and Security Mechanism that would convene “within the next thirty days.” The Initial Actions also called for talks to be held for Japan and the DPRK to normalize their relations, although not in the short term.

The sixth difference is that the Agreed Framework, unlike the Initial Actions, addressed the issue of spent-fuel processing. This is probably because in the case of the Initial Actions the DPRK had already completed its reprocessing of the spent fuel so that this policy option became irrelevant.

Finally, there is a difference in the two timetables. In the case of the Agreed Framework the target date of 2003 was established, although it was not strictly binding in terms of the resolution of the nuclear problem and the provision of the LWR. And there were also specific dates indicated regarding objectives, with expressions such as: “as soon as possible after the date of this document”; “within one month,” “within three months” and “within six months” of the date of the document; “when the LWR project is completed”; “during the construction of the LWR project”; “when a significant portion of the LWR project is completed, but before delivery of key nuclear components”; and “by a target date of 2003.” In the Initial Actions, however, the only target dates set were that “the above-mentioned initial actions will be implemented within [the] next sixty days,” that “all WGs will meet within [the] next thirty days,” and that the parties “agree to hold the Sixth Round of the Six-party Talks on March 19, 2007, to discuss actions for the next phase.” Also, no dates were specified for the “next phase.”

### **(3) North Korean Economic Reforms**

The North Korean economic collapse began in the early 1990s around the end of the Cold War. The DPRK economy, which had relied on other socialist economies, became more and more isolated with the disintegration of the Soviet Union. Contributing further to the economic strain was the holding of the lavish Thirteenth World Youth and Student Festival in Pyongyang in 1989 to counter the Seoul

Olympic Games held in South Korea in the previous year. Thus, from the 1990s, the rationing system that constituted the foundation of North Korean socialism increasingly had to be halted at times. In the latter half of that decade the impact from natural disasters worsened the situation, so that by 1996 the economy was in such dire straits that a joint editorial published by North Korean newspapers called on North Koreans to undertake an “arduous march” and fight on. In September 1998, at the first session of the Tenth Supreme People’s Assembly, Kim Jong Il was reelected as chairman of the National Defence Commission with expanded powers. He launched a new cabinet and emphasized profitability (despite continuing to reject the calls for reforms and openness), saying that in economic affairs it was necessary to generate profits. In the Joint New Year Editorial of 2001, references were made to reforms in the economic system, including the emphasis on the need to further reform the Korean-style system of economic management.

Starting from that period, North Korea began to engage in a reform of its economic system, and in July 2002 it implemented measures aimed at achieving a wide range of adjustments, including (a) a broad adjustment of the price system; (b) the introduction of the performance-based principle; and (c) phased elimination of the rationing system. The official North Korean media often referred to the promotion of economic reforms involving a variety of opportunities, and emphasized the effort to enhance the standard of living by improving the overall economic system.

The underground “farmers’ markets” in the DPRK, which replaced the rationing system that had become dysfunctional from the 1990s, developed into full-fledged markets that supported the lives of the North Korean people. In late March 2003, the farmers’ markets were officially recognized as markets selling varieties of consumer goods. Unlike the initial reform in China, however, the reform of the North Korean economic system did not pursue a market economy but was limited rather to patching up the planned economy.

A new systematic improvement introduced in 2004 enhanced the role of directors within the management of enterprises, placing an emphasis on expanding the autonomy of enterprises. Pyongyang also sought to boost state revenues by encouraging regional governments to work at developing local industries in order to increase their profits. However, the reality was that many factories were unable to engage in full production because of the central government’s failure to resolve

the longstanding shortages in energy and raw materials. For companies that were active in foreign trade and factories that had introduced equipment from foreign countries, the expansion of managerial autonomy ended up having the detrimental affect of encouraging misappropriation by the management. Despite that situation, however, North Korea did manage to promote repair and upgrading of aging facilities, and conservation of fuel and materials.

In this manner, North Korea started in 2000 to work toward establishing a “new economic management system” intended to considerably improve its economy. However, the outcome did not necessarily improve the lives of North Koreans and the gap between rich and poor grew wider. The result has been ongoing difficulties, as reflected in the 2007 Joint New Year Editorial that emphasized the need to concentrate the nation’s power to resolve economic problems and place the priority on quickly raising the standard of living. On top of this, according to estimates on North Korean economic growth in 2006 issued by Bank of Korea (the ROK’s central bank), the GDP of North Korea was 1.1 percent lower than the previous year, marking the first case of negative growth since 1999. It is reported that factors underlying the decline included not only the ill effect of climatic conditions but also the chronic shortage of energy exacerbated by the worsening international relations of the DPRK resulting from the nuclear issue.

With the collapse of its domestic economy, the DPRK sought to improve its economic ties with foreign countries, and its trade with China in particular developed considerably. DPRK-China trade rose quickly from the level of approximately \$700 million in 2001 to around \$1.7 billion in 2006, with that figure representing 56.7 percent of North Korea’s total foreign trade. Reaping the benefits of this development of the external economy were those privileged classes of society that wielded power such as the Party leaders, military officials, and those connected to internal security organizations. In North Korea, these privileged classes have obtained foreign currency by having a hand in agencies established to run enterprises aimed at acquiring foreign currency. Today, the elites’ operation of “moneymaking enterprises” has become commonplace, and has expanded beyond the organizational level to include activities run by individuals and families. In fact, some of these “red capitalists” have acquired hundreds of millions of dollars, and they use some of their earnings to pay huge bribes to the government to ensure that their own economic activities will be unhindered, and this has become a major pillar supporting the regime.

The development of economic ties with other countries has meant that the DPRK economy has become increasingly integrated into the network of the international financial system. The North Korean red capitalists have carried out large-scale financial transactions at financial institutions in Hong Kong or Macao. However, barriers to trade arose with the implementation of financial sanctions by the United States, which basically placed a de facto restriction on transactions involving North Korea-related accounts or complicated procedures. A spokesman for the DPRK Ministry of Foreign Affairs even complained that North Korea had no other choice but to deal in cash. This reality was reflected by the fact that North Korean businessmen could be seen carrying bags stuffed with enormous quantities of cash as they traveled in and out of Dandong in the Liaoning Province of China, which is the intersection of DPRK-China trade.

Since the adoption of economic management measures in 2002, North Korea's strictly controlled regime has started to become destabilized by various contradictions and phenomena, particularly the flourishing of a get-rich-quick mentality. The aforementioned spread of moneymaking enterprises is a manifestation of this trend, and both the official media and internal government documents have spoken of the "poison" of capitalistic culture and have warned against that threat. Moreover, such greed has spilled over into the military, where it has apparently led to breakdowns in discipline. That the Joint New Year Editorial in both 2006 and 2007 called for the establishment of military discipline suggests that order has slackened among North Korea's armed forces.

From the DPRK's January 2003 withdrawal from the NPT to its nuclear test in October 2006, its second period of nuclear diplomacy was fundamentally a drive to preserve the regime through diplomatic efforts that were backed by demonstrations of military power and were aimed at normalizing relations with Japan and the United States, forestalling US use of military force against North Korea, and procuring energy from foreign sources. However, unlike the first period of nuclear diplomacy ten years earlier, in the second period the United States employed policy measures that were capable of exerting a domestic impact within North Korea (such as financial sanctions and tightening of restrictions on the DPRK's illegal actions) so that the domestic problems in North Korea now seem to exert a greater—even if still limited—influence on its foreign policy actions. It seems likely that in the future socio-economic needs in North Korea will exert an even heavier impact on the DPRK foreign policy.

#### **(4) Japan's Response**

In its policy towards North Korea, Japan has positioned the “abduction issue” as the top priority, consistently maintaining that no progress will be made in Japan-DPRK negotiations (including the normalization of diplomatic relations) without any advancements toward resolving that issue. Since before assuming office on September 9, 2006, Prime Minister Shinzo Abe had shown a desire to continue using the “dialogue-and-pressure” approach taken by the preceding administration but to put more emphasis on the pressure aspect. He ratcheted up the pressure on North Korea after its nuclear test in October of that year, introducing separate Japanese sanctions that (a) forbade all North Korean ships from entering Japanese ports; (b) banned all imports from North Korea; and (c) prohibited in principle any DPRK citizen from entering Japan.

With the change in US policy towards North Korea, however, the DPRK sought to diplomatically isolate Japan, which was sticking to its policy of applying pressure. The DPRK stepped up its criticism of Japan with such statements as “it would be much better for Japan to refrain from participating in the Six-party Talks” and “Japan is no more than a swindler, unqualified to participate in the talks.”

The September 2005 Six-party Joint Statement noted that the “DPRK and Japan undertook to take steps to normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of unfortunate past and the outstanding issues of concern.” However, Japan repeatedly asserted its position that no concessions would be made for the DPRK’s denuclearization, such as energy assistance, unless progress were made in resolving the abduction issue. North Korea, for its part, criticized Japan for exploiting the abduction issue, which was irrelevant to the Six-party Talks, charging that Japan was “deliberately working hard to hamstring the work of the talks.”

However, as one of the Initial Actions announced on February 13, 2007, it was agreed that the “DPRK and Japan will start bilateral talks aimed at taking steps to normalize their relations in accordance with the Pyongyang Declaration, on the basis of the settlement of unfortunate past and the outstanding issues of concern.” The following day, on the morning of February 14, Prime Minister Abe continued to emphasize that the abduction issue was still the top priority, stating in a speech to the House of Representatives Budget Committee that Japan-DPRK relations would not be normalized unless the abduction issue is resolved and that Japan intended to adhere to its fundamental stance of dialogue and pressure in order to

resolve the abduction issue.

The WG on the normalization of Japan-DPRK relations convened on March 7 in Hanoi, Vietnam and discussed the abduction issue. In addition to calling on North Korea to reinvestigate the abduction issue, Japan demanded (a) the prompt return of abductees still alive, (b) an explanation of the truth regarding what happened, and (c) the extradition of those guilty of carrying out the abductions. The talks failed to reach an agreement, however, as the DPRK continued to insist that the abduction issue had been already resolved. Although both sides agreed to continue their discussions, they simply reiterated their own fundamental positions. Japan did not alter its stance of making the resolution of the abduction issue a precondition, based on its view that the DPRK would need to normalize diplomatic relations with Japan to deal with shortages in energy and food.

The United States, however, decided to launch bilateral talks with the DPRK with an eye on moving toward full diplomatic relations. An agreement was made to start the process of removing the designation of the DPRK as a state-sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK. Japan expressed concern about this move and called on the United States to refrain from de-listing North Korea as a state-sponsor of terrorism until the resolution of the abduction issue. At the Japan-US summit held on April 27, President George W. Bush promised Prime Minister Abe that the United States would take the abduction issue into consideration, and two days prior to that summit, on April 25, National Security Council Senior Director for Asian Affairs Dennis Wilder told reporters that the United States would not “de-link the abduction issue from the state-sponsor of terrorism issue.”

In June 2007, the DPRK shut down its nuclear facilities in Yongbyon in response to the return of the funds that had been frozen under the US financial sanctions. Actions for the next phase were discussed at the heads of delegation meeting for the sixth round of the Six-party Talks that began on July 18. There was no prospect for the resolution of the abduction issue, however, and on July 19 the DPRK Foreign Ministry released a memorandum criticizing Japan for attempting to abuse the abduction issue. Frustrated by the lack of progress towards resolving the abduction issue, Japan demanded that the press communiqué of the heads of delegation meeting not specify a date for a foreign ministers’ meeting, and instead change the text to vaguer language. However, the ruling Liberal Democratic Party suffered a

“historic” loss in the Japanese upper house election on July 29, prompting the advocacy of a hard-line stance against North Korea, Shinzo Abe, to step down as prime minister in September. He was replaced by Yasuo Fukuda, who had promoted improvements in Japan-DPRK ties as chief cabinet secretary. The Fukuda administration is searching for a breakthrough in the now deadlocked relations between the two countries, but since the DPRK is maintaining a tough stance toward the abduction issue, no concrete results have been achieved thus far.

There is also a predominant view that the Japanese financial sanctions have only had a limited impact on North Korea. Trade statistics released by the Japanese Ministry of Finance on April 27, 2007, indicate that despite the enormous drop in Japan-DPRK trade in 2006, which fell 52 percent from the previous year to approximately ¥9.72 billion, this decrease was largely offset by the rise in trade between North Korea and China.

### **3. South Korea—Tasks Facing the Lee Myung-bak Administration**

#### **(1) The New Administration's Diplomatic and Security Policies**

Lee Myun-bak won the December 19, 2007, presidential election in South Korea, returning the conservative GNP to power for the first time in ten years.

The GNP had repeatedly lambasted the policy of engagement towards North Korea adopted by the two consecutive progressive administrations of Kim Dae-jung and Roh Moo-hyun. However, during the recent presidential election campaign, the GNP and Lee Myun-bak put forward a string of ideas and promises regarding the provision of economic aid to the DPRK. In July, Lee Myung-bak announced the “MB doctrine” (with the two initials taken from his name), which posits the denuclearization of the Korean Peninsula as the top policy priority and at the same time indicates a variety of ideas intended to raise per-capita income in North Korea to \$3,000 within ten years, such as fostering export-oriented companies in North Korea and constructing a highway between Seoul and Sinuiju. These sorts of ideas typify Lee Myung-bak, a former corporate CEO who shrewdly oversaw the redevelopment of Seoul as its mayor.

At the press conference following his election, Lee Myung-bak called for the DPRK to carry out denuclearization, emphasizing that if this were done it would be possible for the ROK to engage in substantial economic cooperation. In

addition, he indicated the policy of advancing South-North relations “pragmatically” rather than being bound to a conservative or progressive ideology. The new president also displayed a willingness to employ persuasion vis-à-vis the DPRK and to cooperate in the Six-party Talks and US-DPRK bilateral talks.

A real problem facing the new Lee Myung-bak administration is the difficulty of implementing hard-line measures, such as closing the Mt. Kumgang (Geumgang) Tourist Zone or the Kaesong Industrial Zone (Gaeseong Industrial Complex), both built in the DPRK using South Korean funds under the Kim Dae-jung and Roh Moo-hyun administrations, because of the negative impact such measures would have on the ROK economy. And South Korean public opinion also basically supports the promise made by Roh Moo-hyun and Kim Jong Il for economic cooperation and to expand the reunions of separated family members. Lee Myung-bak thus faces the difficult task of strongly demanding the DPRK’s denuclearization while at the same time promoting and expanding the economic and social exchanges between the two countries.

Lee Myung-bak has pledged to work hard to restore confidence in and enhance the US-ROK alliance, which had deteriorated somewhat during the Roh Moo-hyun administration. The initial task for the new South Korean administration will be the decision on whether to reconsider the details and timing of the transfer of wartime operation control (discussed subsequently), which was agreed to by Bush and Roh Moo-hyun.

In terms of Asian diplomacy as well, particularly relations with Japan and China, Lee Myung-bak has spoken of developing “pragmatic diplomacy” that places the emphasis on South Korea’s national interests. One can expect the return of shuttle diplomacy, where the leaders of Japan and South Korea visit each other annually. Despite the continued economic cooperation between South Korea and Japan, however, the possibility remains that contentious issues, such as differing

views of history, may flare up once again.

Regarding the ROK defense policy, Lee Myung-bak suggested during the election campaign the possibility of reexamining the Defense Reform 2020 plan (discussed subsequently). At the same time, however, he promised to invest effectively for a more technically advanced and sharp-edged military, which suggests that he will basically continue to adopt the approach of the previous administration.

## **(2) Aiming for ROK Military to Take Leading Role within Five Years**

In February 2007, ROK Defense Minister Kim Jang-soo held talks with US Secretary of Defense Robert Gates, and an agreement was reached to transfer wartime operational control to South Korea on April 17, 2012. The term “operational control” concerns the command of ROK combat forces during a contingency on the Korean Peninsula. Currently, those troops are under the command of the ROK-US Combined Forces Command (CFC), led by a US Army general. With the transfer, the forces will come under the command of the South Korean Joint Chiefs of Staff.

Roh Moo-hyun pursued serious discussions with the United States since September 2005 regarding the transfer of wartime operational control, which he strongly desired as a means of achieving self-reliant national defense. The talks resulted in the agreement to transfer control, but the timing of the transfer was broadly defined as “after October 15, 2009, but not later than March 15, 2012” at the thirty-eighth ROK-US Security Consultative Meeting (SCM) in October 2006, which was held between the defense ministers of the two countries. The breadth of the stipulated period was apparently a reflection of the fact that the United States sought an earlier transfer around 2009, whereas South Korea preferred the later date of 2012 in order to have sufficient time to put the new system in place. Thus, ultimately, the decision was made in line with the wishes of South Korea.

The 2012 transfer of wartime operational control will bring to an end the CFC’s integrated control of the US and ROK armed forces during a contingency, and the CFC itself will be dismantled. In its place, the ROK armed forces will have the leading role in the defense of South Korea, with the US Forces Korea (USFK) lending them support, and a new system will be created that aims for coordination between the two sides.

An agreement regarding the schedule for creating that new system was reached

in June 2007 between ROK Chairman of the Joint Chiefs of Staff Kim Kwan-jin and Commander of the USFK B. B. Bell, who represented the armed forces of their respective nations. According to the agreement, the South Korean Joint Chiefs of Staff would be in charge of initial operation capability for theater command until the end of 2009, and would take over full operation capability by the end of 2011, with the transfer of wartime operation control to be completed by April 2012 after the execution of joint US-ROK test exercises. The term “theater command” refers to Korean Peninsula Theater Command or joint military command, and can be thought of as a warfighting command tasked with defending South Korea and troops under the command of the Joint Chiefs of Staff

For joint US-ROK operations, the (Alliance) Military Coordination Center will be set up. Rather than representing a single organization, this center will be set up between different organizations, such as between the US-ROK Joint Chiefs of Staff, or between the USFK Command and the Korean Peninsula Theater Command. In the five years leading up to the transfer of command, the ROK armed forces will develop a system to lead the defense of South Korea, including an independent capability for operational planning and intelligence gathering. The question of whether the South Korean military will be able to handle that role, and whether the US and ROK forces can be effectively coordinated, will be verified through US-ROK joint exercises while equipment is upgraded. It is expected that this task will be difficult to accomplish within a five-year period.

The transfer of wartime operational control is not limited to the transformation of the US-ROK combined defense system. It may also have an impact on the UNC. The UNC was created in July 1950 in reaction to the North Korean invasion of the South. Since 1978, when the CFC became responsible for defense of South Korea, the UNC has been mainly in charge of maintaining and monitoring, according to the Korean Armistice Agreement, the area south of the Military Demarcation Line that separates the ROK and DPRK. In an emergency situation, the UNC would be expected to ensure logistical support and act as a coordinator for UN members providing assistance. The commander in charge of the UNC is the same person in charge of the CFC (and of the USFK), but because the UNC does not have its own independent forces, the personnel needed to carry out its tasks are provided by the CFC (mainly from the ROK armed forces). For this reason, US-ROK officials at the operational level have discussed what is to become of the UNC mission and its personnel after the dissolution of the CFC. At

the thirty-ninth SCM held in November 2007, Defense Minister Kim Jang-soo held talks with Defense Secretary Gates and reached the agreement that the issue of how to divide the responsibility for managing the armistice between the UNC and the ROK armed forces will be resolved prior to the transfer of wartime operational control in 2012.

Under the Roh Moo-hyun administration, the USFK bases in and around Seoul were consolidated and full-scale efforts were made to transfer bases to the Pyeongtaek area roughly sixty kilometers south of Seoul. At the eleventh Security Policy Initiative meeting held in Seoul in February 2007, the United States and South Korea reportedly agreed to relocate to Pyeongtaek in 2012 the units of Yongsan Garrison (Seoul), which include the CFC and the USFK Command. The timing for the transfer had been agreed on (as of July 2004) as December 2008, but it was pushed back further in order to secure time to provide compensation to landowners at the new site. In addition to the Yongsan Garrison, reports say that a total of twenty-three military bases—including Camp Page at Chuncheon, Camp Edwards at Paju, and Camp Falling Water at Uijeongbu—are scheduled to be returned to ROK control in 2007.

The plan for the transfer indicates that both the US and ROK governments assume that the USFK will still be stationed in South Korea in 2012. However, what will be the case if the peace regime discussed at the October 2007 Inter-Korean Summit becomes a reality? The ROK, for its part, hopes and assumes that the USFK will remain even after the peace regime has been established. For instance, Foreign Minister Song Min-soon, in a speech given in November 2007, said that the relocation and reorganization of USFK bases and the transfer of wartime operational control are taking place as part of an intensifying future-oriented process of adapting the ROK-US alliance to the new security environment that the peace regime will establish. However, in the negotiations regarding the building of a peace regime, one cannot deny the possibility that the DPRK will seek some deal in return for the continued stationing of US troops in South Korea, so there are doubts as to whether the issue of the USFK presence can be resolved in a manner conducive to South Korea's vision for South-North cooperation.

### **(3) Steady Upgrading of ROK Armed Forces**

The South Korean government is driving forward the innovation of its defense forces, based on the plan Defense Reform 2020, which was unveiled in September

2005. The report calls for a reduction in the size of the ROK Army from its current level of ten corps and 548,000 troops, to six corps with 371,000 troops by 2020, and for a shift from quantity to quality that both maintains and enhances the army's fighting capacity. Meanwhile, there would be a limited reduction in the ROK Navy from the current level of 68,000 personnel (three fleets, one submarine flotilla, one aviation flotilla, and two marine corps divisions) to 64,000 personnel (three fleets, one submarine command, one naval air command, one mobile flotilla, and two marine corps divisions); and the ROK Air Force would be maintained at a level of 65,000 personnel (increasing the combat command from one to two).

In order to legally secure this defense reform, the National Defense Reform Law was passed in December 2006. The law stated the aim of creating a technology-intensive structure for the ROK armed forces and having a 500,000-troop level for regular forces by 2020. The enforcement regulations of the law, issued in March 2007, stipulate that the composition of the armed forces in 2020 should be as follows: Army 74.2 percent, Navy 8.2 percent, Marines 4.6 percent, and Air Force 13.0 percent.

The general trend of defense reform is unlikely to be changed significantly under the new administration in South Korea because the GNP, when it was the opposition party, approved the National Defense Reform Law during the legislative process in the National Assembly after some revisions to the law were made.

In line with the reduction in the scale of the armed forces, a proposal to improve the system of military service was announced in February 2007. According to the proposal, the enlistment period for conscripted soldiers in the Army would be reduced, in a phased manner, from the current twenty-four months to eighteen months by 2014 (while the enlistment period for the Navy would be reduced from twenty-six to twenty months and the period for the Air Force from twenty-eight to twenty-one months).

The 2008-2012 Medium-term National Defense Plan was adopted in July 2007 as a more concrete plan to implement the Defense Reform 2020, covering the period from 2008 to 2012 (as a revision of the previous 2007 to 2010 medium-term plan). In the new medium-term plan, the focus for upgrading military capabilities is on the transfer of wartime operational control and dealing with the threat of weapons of mass destruction (WMD). Specifically, it calls for the upgrading of the combat operations control facilities and an integrated C4I (command, control, communications, computer, and intelligence) system. In

addition, the ROK is working to expand its monitoring and reconnaissance capabilities to cover the Korean Peninsula and surrounding area, including a tactical reconnaissance intelligence system, an early warning and control system, and unmanned reconnaissance aircraft, and is seeking to acquire deep offensive capabilities and tactical defense capabilities based on such components as Aegis destroyers, next-generation fighters and submarines, and K-9 self-propelled howitzers. These various capabilities would be linked together by the integrated C4I system and the integrated tactical data link, with the aim of having the capabilities of monitoring, reconnaissance, command, control, and attack—in other words, network-centric warfare.

As part of the Defense Reform 2020, Second Operations Command was created in Daegu in November 2007. This replaced the former Second Army Headquarters, so reportedly it will be tasked with the defense of the Chungcheong, Gyeongsang, and Jeolla areas, which are located behind the front-line areas facing the DPRK. The adoption of an enhanced command and control system for Second Operations Command has made it possible to streamline the intermediate command system that operated under the former Second Army Headquarters (by eliminating the existence of two corps-level headquarters). In addition, the ROK Army will strengthen its weaponry while it carries out the aforementioned reduction in the number of its corps. Currently, the First Army and Third Army are positioned in the front-line zone, but they will be dissolved and their units will be reorganized under a new combat operations command (the name “Ground Operations Command” was proposed but apparently it will be called “First Operations Command”).

Turning to the ROK Air Force, plans are being pushed forward to introduce forty F-15K fighters by 2008 (eighteen have been introduced as of the end of 2006), and the introduction of additional twenty fighters with capabilities on par with the F-15K is under consideration. On top of this, the full-scale development of the next-generation KF-X fighter is on track to begin in 2009, and reports say that South Korea is studying the feasibility of developing the fighter domestically.

South Korea also hopes to introduce the US high-altitude unmanned reconnaissance aircraft, Global Hawk, but ROK officials do not expect the US government to approve exports of the plane for the time being.

The ROK also considered upgrading its aging Nike Hercules anti-aircraft missiles, but according to South Korean newspapers the government decided in September 2007 to purchase instead Patriot Advanced Capability-2 (PAC-2) systems owned by Germany's Luftwaffe.

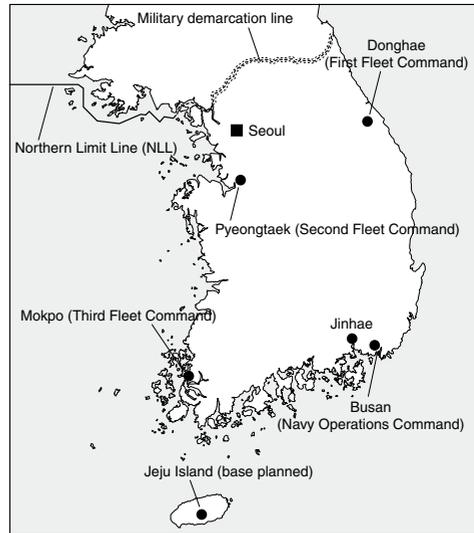
In recent years, the ROK Navy has carried out a considerable upgrading of its equipment, and by the time the Defense Reform 2020 plan is fully implemented, it is expected to be one of the leading naval forces in Asia.

Since 2000, the Navy has been processing the production of six 4,500-ton *Chungmugong Yi Sun-shin*-class (KDX-2) destroyers, each equipped with Standard Missile-2 (SM-2) anti-aircraft missiles, antiship missiles, and two helicopters. The fifth ship in this series, the *Ganggamchan*, became operational in October 2007, and the sixth and final ship, the *Choeyeong*, was launched in October 2006.

In May 2007, the *Sejongdaewang* was launched as the first of the 7,000-ton KDX-3 series of destroyers, which are the first Aegis-equipped vessels in the ROK Navy. The missile system for this type of destroyer has been described officially as featuring antiship and anti-aircraft missiles, but it is thought to also be equipped with cruise missile for attacking land-based targets. It is not clear how many of these destroyers will be built.

The Landing Platform, Helicopter (LPH) *Dokdo* (classified as a transport vessel by the ROK Navy) became operational in July 2007. Construction of the vessel began in October 2002, and it was launched in July 2005. The vessel has a length

**Figure 2.2. Major ROK naval bases**



of 199 meters and a standard displacement of 14,000 tons. It is capable of being equipped with 7 helicopters, 6 tanks, and 7 armored amphibious vehicles, and can hold approximately 700 landing troops, as well as 2 high-speed air-cushion landing crafts (hovercrafts). Along with landing operations, the vessel can be used for fleet command and control in maritime operations like surface or antisubmarine combat. The vessel played a pivotal role in landing exercises that were held in November 2007. The ROK Navy has described the commissioning of the Dokdo as another step towards its acquisition of blue-water combat capabilities. It is not clear whether the ROK will build other vessels in this class, but according to South Korean newspaper reports, the construction of 4,500-ton Landing Ships, Tank-2 (LST-2) will get underway in 2008, with four LST-2 vessels expected to be combat-ready some time between 2013 and 2016.

In June 2007, the ROK Navy launched the second 1,800-ton Type 214 submarine, the *Jeongji*, which can remain under water for long periods of time thanks to air-independent propulsion, and is constructing a third submarine. According to reports, South Korea also plans to build nine submarines of the even larger KSS-3 class (3,000 tons).

As these developments illustrate, the ROK Navy is increasing the size and number of its vessels while realigning its forces. In November 2007, Third Fleet Command was redeployed from Busan to Mokpo, and in the following month the Navy Operations Command was transferred from Jinhae to Busan. In addition to those moves, plans call for a large-scale base to be constructed on Jeju Island, which is expected to be the home port of the Aegis destroyers (see Figure 2.2).