

Chapter 3

The Korean Peninsula— A Stalled Denuclearization of North Korea and the Rebuilding of the US-South Korea Alliance

The Six-party Talks continued to be plagued by delays in the completion of Second-phase Actions. In June 2008, the Democratic People's Republic of Korea (DPRK or North Korea) submitted a declaration on all its nuclear programs, prompting the United States to announce plans to remove the DPRK from its list of state sponsors of terrorism and to lift restrictions against the country under the Trading with the Enemy Act (TWEA). On this basis a meeting of the heads of delegation was convened in July. North Korea, however, refused to relent in its opposition to a US proposal for a verification protocol, and, following an announcement by the United States in August that the measures on state sponsorship of terrorism and the TWEA would be postponed, threatened to reverse the actions that it had previously taken for the disablement of the Yongbyon nuclear facilities. In October, when the United States went ahead with its decision to remove North Korea from the state sponsors of terrorism list, the DPRK resumed disablement but continued to oppose the signing of an agreement on the collection of nuclear samples, which is a part of the verification process. At Six-party negotiations held on December 8, the parties again failed to reach an agreement, leaving the Second-phase Actions incomplete. Suspicions regarding North Korea's uranium enrichment and proliferation thus have not dissipated, suggesting that the path toward a denuclearized North Korea via the Six-party Talks will continue to be a long one.

While taking action to create a de facto nuclear weapons state, North Korea continues to maintain policies aimed at developing its domestic economy. However, on September 9, North Korean National Defense Commission Chairman Kim Jong Il failed to appear at the military parade honoring the 60th anniversary of the national foundation of DPRK, raising concerns about the chairman's health and setting off international speculation about the stability of the North Korean regime. After this nonappearance, the DPRK has repeatedly broadcast reports that show Kim in robust health. While maintaining the primacy of its relations with the United States, the DPRK has also been strengthening its economic ties with China and Russia. On the other hand, it has been taking an increasingly hard-line stance against the Republic of Korea (ROK or South Korea) and Japan.

In South Korea, the Lee Myung-bak government assumed power in February 2008. As the country's first conservative government in ten years, the new administration has indicated unequivocally that it intends to rewrite the policies of the Kim Dae-jung and Roh Moo-hyun administrations. One result of this change

in policy, which the Lee administration can point to as an achievement, is the restoration of South Korea's alliance with the United States, which had grown less than cordial during President Roh's tenure. In their agreement, President Lee and President George W. Bush pledged that the US-ROK Alliance would not only provide for the defense of South Korea but that it would also give Seoul a global role. Despite this, the role that the ROK is capable of playing militarily beyond its borders is limited. The precise nature of this involvement will be left to future negotiations with the new US administration.

In contrast to presidents Kim and Roh, President Lee is adopting a no-nonsense stance toward Pyongyang, strongly demanding that it denuclearize. This has led to a refusal by North Korea to talk with South Korea and consequently now limits the role that Seoul can play on the North Korean issue.

1. Six-party Talks Stall over Verification

(1) Renewed Suspicions over Uranium Enrichment and WMD Proliferation

Suspicions about uranium enrichment by North Korea emerged at the US-DPRK bilateral meeting in October 2002 when Pyongyang's representative hinted to the US officials that the DPRK was planning an enrichment program, a revelation that is widely recognized as the beginning of the so-called "second nuclear crisis on the Korean Peninsula". However, since then, North Korea has continued to deny its involvement in any uranium enrichment program. Later, in September 2007, the world learned that Israeli aircraft had bombed and destroyed a nuclear reactor in Syria. This was followed by an announcement by the United States, in April 2008, that North Korea had been supporting Syria's clandestine nuclear activities. In the face of these renewed suspicions, the DPRK insisted that the United States was trying to fabricate something out of nothing. On September 16, 2008, though, US Director of Central Intelligence Michael Hayden reasserted an earlier finding: that the United States had examined the facilities in Syria and had concluded, based on analysis from various parts of the US intelligence community, that the nuclear reactor was similar to the one at Yongbyon, North Korea. Director Hayden also disclosed that, in the course of this analysis, US intelligence had weighed the possibility that the Syrian facilities could be built by North Korea as an alternative facility for the Yongbyon reactor that it has pledged to shut down.

With the Syrian complex now destroyed, it would be difficult for anyone to verify whether it was or was not an alternative facility for Yongbyon.

Some new information on North Korea's involvement in the network of Dr. Abdul Qadeer Khan of Pakistan was revealed in the statements made by Dr. Khan and his wife to Germany's *Spiegel* magazine. Based on those remarks, Dr. Khan himself appears to have made at least two trips to North Korea to discuss cooperation on uranium enrichment technology, but the specifics of these contacts remain unclear.

As these suggests, neither suspicions regarding North Korea's uranium enrichment program nor the extent of its nuclear cooperation with Syria have been satisfactorily cleared. Since the reactor in Syria was destroyed and is no longer available for North Korea as an alternative facility, the disablement of the Yongbyon facilities will continue to be the key issue on the Korean Peninsula for the foreseeable future. It should be noted in this regard that although North Korea had completed eight of the eleven disablement activities as of March 2008, it suspended the process, which means that the completion of disablement will be pushed back to 2009 even if it is resumed on October 15. However, as long as Pyongyang uses the pace of disablement as a bargaining chip with the United States, there is a danger that the whole denuclearization process of North Korea could be stalled at the stage of disablement of Yongbyon nuclear facilities. According to a media report, a former CIA division chief for East Asia has remarked: "They have already sold us (the United States) Yongbyon twice. The first time was under the Framework Agreement during the Clinton administration and the second time was in exchange for energy aid/assistance under the Six-party Talks. Their current actions suggest that they have designs on a 'third round of business,' this time with the new US administration. They see doing business with the new president as more appealing business-wise."

(2) Campaigning for Removal from the State Sponsors of Terrorism List

US-DPRK negotiations, which are at the core of the Six-party Talks, resulted in North Korea agreeing to do the following based on the Six-party Talks agreement of October 3, 2007: complete the disablement of the Yongbyon facilities and provide a full accounting of all its nuclear programs by December 31, 2007. This would have brought to a close all Second-phase Actions. Especially, with regard

to the nuclear program, North Korea was requested not only to disclose the number of nuclear weapons it possesses but also to provide a complete declaration that includes the details of uranium enrichment programs and its nuclear dealings with other countries. However, Pyongyang continued to rigidly oppose these demands and ultimately failed to meet the December 31 deadline.

In 2008, the process continued to lag. Pyongyang slowed down the pace of the disablement process and continued to defy the other parties on the issue of declarations. On March 28, it warned that “if the United States continues delaying resolution of the nuclear problem by demanding what does not exist, this will bring a serious consequence to the desired disablement of the nuclear facilities,” later adding that “the further the negotiations went on, the greater the disappointment the attitude of the Bush administration brought to the DPRK.” By hinting at a possible suspension of its disablement activity, North Korea sought to shake the resolve of the United States.

On March 31, Pyongyang released the following statement: “Since the US side claimed that the issue of ‘suspected uranium enrichment’ can be solved if the DPRK discloses the whereabouts of the aluminum tubes imported (from Syria), we gave US experts special treatment by allowing them to visit sensitive military facilities and providing them with samples.” Also, with respect to its suspected nuclear dealings with Syria, Pyongyang alleged that the United States had initially wanted the DPRK only “to reconfirm its commitment not to proliferate the nuclear technology given the fact that the suspected facilities in Syria were destroyed by the Israeli bombardment, making it unnecessary to investigate the DPRK-Syria nuclear relationship any longer.” These remarks indicated that “North Korea’s nonproliferation pledge” could be one of the primal objectives of the United States at the US-DPRK talks.

In June 2008, however, after Pyongyang submitted a declaration on its nuclear programs, the United States announced its intention to remove North Korea from its list of state sponsors of terrorism and lift sanctions on the DPRK that had been imposed under the TWEA. This enabled the Six-party Talks to resume on July 10. At the talks, the United States presented Pyongyang with a proposal for a verification measures. The United States expected North Korea to consent to the proposal and it would remove the DPRK from the terrorist list and lift sanctions in 45 days. Accordingly, during the 45-day period, the United States provided the DPRK with \$2.5 million in aid for the blasting of the cooling tower at the Yongbyon

nuclear reactor. Pyongyang, however, showed no response to the proposal. Consequently, 45 days later, on August 11, the United States postponed its actions on the terrorist list removal and TWEA sanctions.

In sharp contrast to its unyielding attitude toward the verification measures, Pyongyang used the 45-day period after it was notified by the United States to lay the groundwork for its removal from the terrorist list. It participated in a meeting of a UN Commission on Human Rights, which adopted an anti-terrorism resolution; it engaged in an active round of cooperative diplomacy with ASEAN countries; and it discussed economic cooperation with Singapore. This series of actions appears to have been an attempt to create a diplomatic environment conducive to its removal from the terrorism list. These actions may also have been driven by a judgment that food aid and medium-to-long term economic aid would be forthcoming from ASEAN through such contacts. North Korea has adopted similar diplomatic tactics in the past. Before the first-ever summit meeting between South and North Korea on June 15, 2000, Pyongyang resumed diplomatic relations with Australia and established diplomatic ties with Italy as a means of fostering a détente-like atmosphere.

(3) The Bargaining Chip of Yongbyon Disablement and a Lack of Clarity Surrounding the DPRK's "Strategic Decision"

At the informal six-party ministerial meeting on July 23, 2008, an agreement was reached that North Korea would complete disablement of the Yongbyon nuclear facilities and that the five nations would fulfill their commitments to deliver fuel oil and economic aid by the end of October. However, when Pyongyang failed to respond to the proposal for verification measures by August 11, the United States immediately postponed delisting. On August 15, Christopher Hill, US assistant secretary of state, met with Kim Sook, Special Representative for Korean Peninsula Peace and Security Affairs, South Korean Ministry of Foreign Affairs and Trade. Their meeting resulted in a joint announcement which said that "if North Korea agrees to the verification measures, we are prepared to remove it immediately from the state sponsors of terrorism list."

The principal reason for North Korea's opposition to the verification proposal by the United States is the provision that relates to special inspections, which stipulates that "complete access shall be allowed to any non-declared site." Although a similar problem arose in negotiations between the United States and

North Korea in the US-North Korea Framework Agreement in 1994, this time, Pyongyang appears particularly concerned about surprise on-site inspections of nuclear sites, including militarily-sensitive facilities. At a meeting of the Energy and Economic Working Group of the Six-party Talks on September 19, 2008, Hyon Hak Bong, representative of the North Korean delegation, criticized the proposed US verification measures by taking issue with its “surprise visits to arbitrary sites,” calling them “robbery-like intrusive inspections.” On September 28, Pak Gil Yon, North Korean vice foreign minister stated that DPRK’s retrogressive measures on disablement were reactions to “unjust demands” for access to North Korea’s nuclear facilities, including military facilities.

On June 26, in response to the announcement by the United States that it would remove the DPRK from its list of state sponsors of terrorism and lift sanctions imposed on the DPRK under the TWEA, Pyongyang released the following statement: “The DPRK appreciates and hails this as a positive measure. What is important in the days ahead is for the U.S. to fundamentally drop its hostile policy toward the DPRK, a policy that compelled it to have access to a nuclear deterrent.... The measure taken by the U.S...should lead to totally withdrawing its hostile policy toward the DPRK in all fields in the future. Only then can the denuclearization process make smooth progress along its orbit.” However, on August 26, the North Korean Foreign Ministry announced that the DPRK would “suspend the disablement of its Nyongbyong (Yongbyong) facilities” in response to the US postponement of its delisting of the DPRK from the terrorism list, and hinted that it might restore the facilities to their original state in response to “strong demands from relevant institutions.”

On September 24, North Korea informed the International Atomic Energy Agency (IAEA) that it would restart activities to extract plutonium at its reprocessing plant at Yongbyon and that it planned “to introduce a nuclear material to the reprocessing plant in one week’s time.” As justification for these moves to restore the Yongbyon facilities to their original state, North Korean Vice Minister of Foreign Affairs Pak Gil Yon told the UN General Assembly in its General Debate on September 27 that the DPRK “inevitably [took] relevant countermeasures.” The IAEA reported that North Korea had asked it to remove seals and surveillance from the Yongbyon plant and that some equipment previously removed by the DPRK during the disablement process had been brought back. Even if the process of restoring the Yongbyon facilities to their

original state would require several months, these actions by Pyongyang signify backsliding on Second Phase Actions under the Six-party Talks.

However, in early October, negotiators met for a US-DPRK working level meeting. On October 11, the US Department of State rescinded the designation of North Korea as a state sponsor of terrorism and announced the US-North Korea Understandings on Verification, which provides that “experts will have access to all declared facilities and, based on mutual consent, to undeclared sites.” In other words, the United States moderated conditions for the proposed “special inspections” so adamantly opposed by North Korea up until then. As a result, on October 13, Pyongyang once again allowed the IAEA to have access to Yongbyon. On the 17th, the United States announced that North Korea had resumed work on disablement of the Yongbyon facilities and that inspectors had extracted roughly 60 percent of the approximately 8,000 spent fuel rods at the facilities.

The United States continues to maintain a large number of economic sanctions against North Korea. This means that the DPRK will not easily and immediately begin to reap economic and trade-related benefits as a result of its removal from the state sponsors of terrorism list and the lifting of the TWEA-related sanctions. At the same time, at the Six-party Talks held on December 8–11, the parties failed to get Pyongyang to commit to writing its agreement on the sampling of nuclear materials. Consequently, Second-phase Actions remained incomplete as of year end.

As indicated by the June 26 statement of its Ministry of Foreign Affairs, North Korea maintains that it is being compelled to develop nuclear weapons because of “US hostile policies toward the DPRK,” an expression that also appears in its nuclear declaration of February 2005. Although these “hostile policies” can refer to anything from US Forces in South Korea to the DPRK’s inclusion on the state sponsors of terrorism list to UN Security Council (UNSC) sanctions, Pyongyang will ultimately define “hostility” in a way that suits its own needs. Even today, after the United States made the decision to remove North Korea from its terrorism list, Pyongyang still does not credit the United States with having abandoned its hostile policies.

Moreover, so long as the possibility remains that North Korea is continuing to develop nuclear weapons in unrevealed sites, it is too soon to conclude that Pyongyang has made a “strategic decision” to abandon nuclear weapons. And, given the difficulties of implementing the verification measures, it will be a long

time before North Korea is denuclearized.

On September 9, North Korean National Defense Commission Chairman Kim Jong Il failed to appear at the military parade commemorating the 60th anniversary of the national foundation of North Korea, prompting rumors that he is seriously ill. As noted above, in a press release dated August 26, North Korea's Ministry of Foreign Affairs used the expression "strong demands from relevant institutions," which suggests that authority relating to nuclear development may now be dispersed within the government. Or to put it the other way, even if the chairman, for whatever reason, is unable to make a final judgment, the decision-making functions per se of the North Korean government have not been paralyzed.

2. North Korea—Progressing Steadily toward a de facto Nuclear Weapons State

(1) Focusing on the Domestic Economy with the Aim of Becoming a "Great, Prosperous, and Powerful Country"

Following an announcement in October 2006 that it had tested a nuclear weapon, North Korea has made some progress militarily by spreading the impression domestically and internationally that it is a nuclear weapons state. Having achieved these gains on the military side, it has announced that it now intends to develop the domestic economy. Notably, amid global food shortages, the country has increasingly emphasized the need for domestic agricultural production and self reliance. The *Rodong Sinmun*, in a 2008 New Year's editorial, spoke of the DPRK endeavoring to build an "economic strong power" to achieve the goal of launching itself on the path toward becoming a "strong and prosperous great power" in 2012, which is the 100th anniversary of the birth of Kim Il Sung. At the 6th round of the 11th Supreme People's Assembly on April 9, cadres stressed that the nation would continue to adopt a military-first policy and that the DPRK's defense spending for 2008 would reach 15.8 percent of total government expenditures, 0.1 percent higher than in the previous year. In addition, the cabinet premier described goals for the country's economy in 2008 as follows: "The main tasks before the economic field this year is [sic] to bolster the pilot sectors, basic industries of the national economy, giving top priority to the work for ensuring the increase of the country's defense capability true to the Party's line of economic construction in the era of *Songun* [Military First policy], and thus

ensure the advance in the building of an economic power. It is also the main thrust of the field to...decisively solve the problems of food and consumer goods on the people's living-first principle [sic].”

Such statements indicate that Pyongyang is attempting to maintain the legitimacy of the Kim Jong Il regime through a dual approach: on the one hand, pursuing the creation of a de facto nuclear weapons state and the development of nuclear technology, while on the other hand calling for increased efforts to rebuild the economy so that North Korea can achieve the status of a “Great, Prosperous, and Powerful Country.”

With respect to the DPRK's conventional weapons, Kim Yong-se, a member of the South Korean National Assembly Foreign and Trade Affairs Committee, disclosed in a report to parliament on October 6 that during the five years of the Roh Moo-hyun administration, North Korea introduced \$65 million worth of new weapons from abroad and that the army of North Korea “has increased its capacity in the areas of long-range artillery and field artillery, while the navy has strengthened its power by adding small-size submarines and small-size maritime patrol vessels. The air force maintained its strength through repairs and servicing of existing aircraft.” Since the 1990s, North Korea's conventional weapons have become increasingly obsolete, as the country has been prevented from making meaningful upgrades because of a shortage of foreign currency. But even as global oil prices skyrocket and oil imports into the country decline, we surmise that the DPRK is endeavoring to maintain and strengthen its conventional forces.

Seventy percent of North Korea's military strength remains concentrated near the demilitarized zone (DMZ), where it has deployed more than 10,000 pieces of artillery, including 170- to 240-mm multi-rocket launchers. These weapons are the source of the military standoff between the ROK-US Combined Forces and the Korean People's Army. In a briefing on October 8, Walter Sharp, commander of US Forces Korea (USFK), said that he believed that there were around 13,000 such artillery assets near the DMZ. Other intelligence sources indicate that North Korea had increased its deployment of weapons along the DMZ through 2005 by around 500 assets, which include 50- to 70-km-range FROG-5 and FROG-7 ground-to-ground rockets, SA-5 ground-to-air missiles with a 260-km target range, and 240-mm multi-launch rockets. This deployment of conventional weapons along the DMZ by the North is one reason why neither the US military nor the US-ROK Combined Forces can launch an attack on North Korea. Finally,

there is also no positive evidence that the DPRK has ceased its pursuit of foreign currency through the export of missile-related technology.

With respect to military exercises, South Korea's Yonhap News reported on September 23 that Pyongyang appears to have conducted large-scale air exercises involving MiG-21s and other planes over the Yellow Sea and at the country's border with China. According to this same report, the frequency of such air exercises, which consume large amounts of fuel, was on the upswing in 2008 compared to the average year.

(2) The 10th Anniversary of Taepodong's Launch, and the Discovery of a New Missile Site

August 31, 2008 marked the 10th anniversary of North Korea's launch of its Taepodong-1 "rocket" (which Pyongyang maintains was carried out to place the Kwangmyongsong-1 artificial global satellite in orbit). On the same day, the Korean Central News Agency (KCNA) broadcast a program called "Great Advances in the Development of Our Country's Scientific Technology," in which it declared that "if we make up our minds to do it, our technology is at a level that will permit us to make a successful launch of the desired applications satellite at any time," adding that "scientists and engineers are devoting all of their knowledge and passion on the arduous path of building a strong and prosperous great power."

On September 10, Global Security, a private US think tank that specializes in security issues, released satellite photographs showing a new missile launch facility under construction in Tongchangri, North Pyongan Province. When South Korea's National Intelligence Service released information on the facility, North Korea admitted that construction of this facility, which would be capable of launching a long-range ballistic missile (the Taepodong-2), was nearing completion.

North Korea's decision to build the new long-range ballistic missile launch facility in Tongchangri, and to build it on the ground rather than underground, may indicate a desire to draw the attention of the United States to the project by placing it in plain view of US military satellites. In addition, by building the launch site near the North Korea-China border, Pyongyang may be counting on China to hold in check any possible US air attacks on the base. Politically, the North may also be seeking to extract a more flexible response out of the United States in bilateral negotiations. In fact, the United States ultimately softened the demands that it placed on the DPRK in its proposed verification measures, so

Pyongyang could be regarding the “discovery” of its missile launching facility as a strategic success.

(3) A Continuation of a US-first Foreign Policy, and Pressuring Japan on the Abduction Issue and on Its Obligation to Supply Fuel Oil

Diplomatically, North Korea has extracted concessions from the United States by playing its nuclear card. After the inauguration of the Lee Myung-bak government, it banished South Korean officials from the Kaesong Industrial Zone, and, in response to the statement about “preemptive strikes” by Army Gen. Kim Tae-young, chairman of South Korea’s Joint Chiefs of Staff, it announced a complete suspension of the North-South Dialogue. It continued thereafter to harden its line against South Korea, as indicated by such statements as “President Lee Myung-bak is a renegade who has shown contempt for the June 15 South-North Joint Declaration and the October 4 Summit Declaration,” and also by announcing that it regards the Lee administration’s response to the Takeshima territorial dispute with Japan as “prostrating the country and acquiescing to robbery in broad daylight.”

As a simple look back at historical events will remind us, North Korea felt itself becoming increasingly isolated in the aftermath of the collapse of the Soviet Union in 1991 and the normalization of China-South Korea relations in 1992. This placed the country in the position of having to protect itself by improving relations with the United States. Since then, Pyongyang has consistently maintained a US-first foreign policy. Simultaneously, however, its national credo has been to maintain a system based on the *juche* (self-reliance) philosophy and on military-first politics and to seek the unification of the Korean Peninsula under terms favorable to the DPRK. It has not, in other words, abandoned its intentions to maintain deterrence against the United States. This may explain what is driving the DPRK’s foreign policy: while it will on occasion move closer to China, Russia, and Japan, and at times seek to foster a harmonious atmosphere with South Korea, it has generally sought to “sideline the South by prioritizing the United States” and to treat Japan as a “client state” of the United States, while maintaining stability in its relations with China and Russia. And, it has used all of this in its diplomacy with the United States.

Thus, while the policies adopted by the new US administration toward North

Korea may lead to slight changes in the diplomatic deeds and actions of the DPRK, this is unlikely to alter Pyongyang's basic approach hereafter, which is to value above all else its relations with the United States.

On the other hand, North Korea will attempt to maintain stability in its relations with China and Russia. To overcome the problems of famine, energy shortages, and economic hardship, Pyongyang has been actively pursuing food aid from China and inviting Chinese investments into domestic development. Recently, to attract overseas investments into mining and other natural resource development, it announced, on June 27, 2008, that it would be adopting regulations for its Underground Resources Law.

The DPRK has also been building closer relations with Russia, primarily to obtain assistance in energy. It has been a goal of Russia's to establish a link between the Trans-Siberian Railway and the North-South Korean Railway. This prompted Pyongyang to begin discussing the issue with Russian Railway. On August 11, Russian Railway and the North Korean Ministry of Railway agreed to a 49-year lease for use of 52 kilometers of track between Tumangang and Rajin.

With respect to Japan, Pyongyang has sought to use its position vis-à-vis the United States to throw Japan off balance on the abduction issue and its obligation to supply heavy fuel oil to the DPRK. It has said, for example, that "By nature, the 'abduction issue' is not to be taken up at the Six-party Talks" and that "it is only Japan which is standing in the way of the talks while refusing to fulfill its commitment under the agreement adopted by the Six-party Talks." However, just as the United States was notifying North Korea of its intentions to remove it from the list of state sponsors of terrorism (on June 28), bilateral talks between Japan and North Korea resumed. These talks resulted in an agreement by which North Korea committed to reopening its investigation on the abduction issue and Japan committed to lifting certain economic sanctions. But when Japan's prime minister, Yasuo Fukuda, subsequently resigned, Pyongyang unilaterally postponed the resumption of working-level meetings on reinvestigations of the abduction issue, saying that it wished to examine the next cabinet's policies toward the DPRK. Consequently, the abduction issue between Japan and North Korea has remained deadlocked. Pyongyang considers the abduction issue to be a powerful bargaining tool in its negotiations with Japan and seems likely to believe that its decision to return abduction victims to Japan in 2002 was a mistake. In light of these attitudes, there is only the slightest chance that it will begin moving toward a full resolution

of the abduction issue at the pace desired by Japan. In terms of Japan's national security, there are also two more worrisome problems: North Korea's missiles and its nuclear threat.

(4) Rising International Concerns about the Stability of the Regime

The health of North Korean National Military Commission Chairman Kim Jong Il has long been the subject of speculation, with observers ascribing various illnesses to the chairman, including diabetes, heart disease, and dementia. When Kim did not appear on the reviewing stand during the military parade commemorating the 60th anniversary of the nation's founding, rumors of serious illness, and concerns about the stability of the North Korean regime, arose around the world. Some in the media reported that the chairman had suffered a cerebral stroke in mid-August and underwent surgery on the 22nd. According to these reports, a team of five physicians from a Chinese People's Liberation Army Hospital performed the operation at the request of North Korea. Vice-Minister Liu Hongcai of the Internal Department, Central Committee of the Communist Party of China, however, skeptically commented on these reports, saying that "If Chairman Kim had suffered a stroke and was disabled, we would be picking up signs that something out of the ordinary had happened. We have heard nothing (about a serious illness)." Also, although Kim's first son, Kim Jong Nam, was in Pyongyang from the end of July, he subsequently returned to Beijing. This has led some to conclude that, even if Kim Jong Il was having health problems, the regime itself had not been seriously destabilized. Still, the fact that the marchers in the parade were not from the regular army (which cannot take action without direct orders from Kim Jong Il) but rather from militia organizations—the Worker-Peasant Red Guards, which is made up of workers and farmers, and the Young Red Guards, which is composed of children between the ages of 14–16—indirectly supports the possibility that something had indeed gone wrong with Kim at that point. However, the *Minju Joson*, a daily organ of the Supreme People's Assembly and the North Korean Cabinet, reported that in May 2007 Kim had already instructed the Worker-Peasant Red Guards to march in the September 9 parade.

On the other hand, even if Kim's illness is real, the possibility that "the chairman's serious illness" is being used as an intelligence ploy by North Korea

The “Year 2012” Issue

At a National Meeting of Intellectuals held on November 30–December 1, 2007, delegates expressed the view that North Korea had enhanced its international prestige after the nuclear test. They also announced that the DPRK had established 2012 as the year in which the country would launch itself on the path toward a strong and prosperous great power. In a New Year’s Co-Editorial for 2008, which focused on emphasizing progress in the domestic economy, Pyongyang spoke of it being “the Party’s determination and will” to “launch the country on the path toward a strong and prosperous great power in 2012.” The editorial contained no references to the nuclear weapons test in 2006. Finally, in a broadcast on January 4 by the Korean Central News Agency (KCNA), Pyongyang said in reference to the New Year’s Co-Editorial that “launching the country on the path toward a strong and prosperous great power in 2012” was the “indomitable intention of the great leader (Kim Jong Il).”

The year 2012 is also when wartime OPCON will be turned over by the United States to South Korea, and, as a consequence, the year in which the ROK-US Combined Force Command will be dissolved. The two Koreas, of course, did not deliberately set out to make 2012 an important year; the overlap of the transfer of wartime OPCON and the launching of the DPRK on its path toward a strong and prosperous great nation was coincidental. But, from the standpoint of national security, this coincidental overlap demands caution, because North Korea is continuing to develop missiles and nuclear weapons and it is still unclear how it views the role of the United States in the Korean Peninsula after the transfer of wartime OPCON, or how it is assessing the capabilities of the ROK-US Combined Forces and the self-defense capabilities of South Korea.

Gen. Sharp has made it clear that even after the transfer of wartime OPCON in 2012, the US-ROK Combined Forces were prepared to deal jointly with any contingencies on the Korean Peninsula.

cannot be entirely dismissed. The logic goes as follows: the DPRK wants the United States to soften its attitude on the issue of verification measures, and having a seriously ill Chairman Kim would throw the United States and China off balance, because the former desires stability in the North Korean regime and the latter fears an air strike by the United States on the new missile base near its border with the DPRK.

Regarding the US-South Korean response to a contingency on the Korean Peninsula, USFK Commander Gen. Walter Sharp indicated at his briefing on October 8 that the “Ulchi-Freedom Guardian” exercise demonstrated that, after the transfer of wartime operational control (OPCON) to the Republic of Korea in April 2012, the United States and South Korea would still be able to respond

What is the US “Red Line” vis-à-vis North Korea?

The “Red Line”: that which demarcates what will be tolerated and what will not; crossing the line sets in motion punitive sanctions that “result in serious or grave consequences.”

Previously, the United States defined the Red Line with respect to nuclear development by North Korea as the testing of a nuclear weapon. When the DPRK announced that it had tested a nuclear device in October 2006, the United States responded by imposing economic sanctions through a UNSC resolution. But the United States stopped short of using military force, as provided under Chapter VII of the UN Charter. So, what Red Line would North Korea have to cross in the area of nuclear development to prompt military action by the United States? Theoretically, two scenarios can be imagined.

The first is if the DPRK acquired an ability to mount a nuclear warhead on a medium-range ballistic missile (Rodong) and it was known that the missile was targeting a US military base in Japan.

The second is if the DPRK acquired an ability to mount a nuclear warhead on an inter-continental ballistic missile (Taepodong II) capable of reaching US homeland and it was known that the missile was targeting US territory. In addition, there is an emerging view that nuclear proliferation by North Korea is now the US Red Line.

While the United States has never clarified this Red Line in a formal document, it has expressed concerns on these points on a number of occasions. In both its 2007 and 2008 editions, the Annual Threat Assessment touches on US fears about scenario number one. Potential threats under scenario number two were discussed in the National Intelligence Estimate of December 2001 and were also mentioned in joint testimony by Lowell Jacoby, director of the US Defense Intelligence Agency, and George Tenet, director of the Central Intelligence Agency, before the US House Armed Forces Committee on February 12, 2003.

What would make these threats substantial would be North Korea’s nuclear weaponization and improvements in the range and precision of its missiles. Because developing smaller nuclear weapons will require testing, the possibility of North Korea resuming nuclear tests cannot be ruled out, although the situation would change if Pyongyang opted to use data from the nuclear tests of friendly nations. On the other hand, the possibility of future missile tests exists because improving the flight distances and accuracy of missiles will require testing.

For Japan, the direct threat to its national security is the situation described under scenario one. After Pyongyang announced its nuclear test in October 2006, US Secretary of State Condoleezza Rice reaffirmed the commitment of the United States to defend Japan through extended deterrence. An accumulation of such commitments is vitally important in strengthening the bonds of the US-Japan Alliance.

At the time of the so-called “first nuclear crisis on the Korean Peninsula” in June 1994, both William Perry, former US defense secretary and US North Korea policy coordinator, and Ashton Carter, former US assistant secretary of defense, expressed caution about conducting limited air strikes against North Korea’s nuclear facilities. In June 2006, however, as North Korea prepared to test missiles,

Perry and Carter published a widely noted op-ed piece in the Washington Post entitled "If Necessary, Strike and Destroy." However, since the Bush administration dropped its hard-line approach toward North Korea and began negotiating to disable the Yongbyon nuclear facilities, Perry has expressed support for the current State Department-led diplomatic negotiations rather than limited military action.

Since the first nuclear crisis on the Korean Peninsula, North Korea has established its own Red Line, and indicated that it would regard economic sanctions by the UN as an act of war, and that it would "turn Seoul into a sea of fire." Despite defining its Red Line as economic sanctions by the UNSC and stating that it would retaliate by taking military action against South Korea, Pyongyang did not act on this threat when the UNSC imposed such sanctions in response to the DPRK's announcement of a nuclear weapon test in 2006.

jointly to any military contingency on the Korean Peninsula.

On October 17, Secretary of Defense Robert Gates and Minister of National Defense Lee Sang-hee briefed the press following the 40th Security Consultative Meeting between the United States and South Korea. Their remarks reaffirmed that the United States and South Korea were in agreement with the estimates of intelligence agencies that Kim Jong Il still had control over his administration; that the United States would continue to extend the commitment of its "nuclear umbrella" to South Korea; and that, as agreed to at the prior US-South Korea summit meeting, US force levels would remain at 28,500.

(5) Policy Implications for Japan

From the above observations, some policy implications can be drawn for Japan. First, Japan would have to coordinate its responses to the nuclear and missile issues. A second task for Japan would be to align its policies more closely with those of the United States and South Korea. This means specifically that, while reasserting the premise that the Pyongyang Declaration is already a part of any agreement reached through the Six-party Talks, Japan should encourage the United States to join with it in proposing a more robust examination of the missile issue within the framework of the Six-party Talks.

That said, however, the Six-party Talks are principally a mechanism for dealing with the North Korean nuclear issue. From Japan's standpoint, it probably has sufficient flexibility to do one of two things outside the Six-party framework: it can strengthen the role of the existing Trilateral Policy Coordination and Oversight

Group (TCOG) or it can consider building a new framework of cooperation on national security.

Regarding the future shape of the Pyongyang regime, it could range over a number of possibilities. Some observers believe there would be a continuation of the current regime, others see a power struggle among blood relatives, while still others anticipate a change to some kind of collective leadership or an internal power struggle (where the conflict is between conservative factions and reformist factions or between the military, on the one hand, and agencies in charge of diplomacy and the economy on the other). Such shifts in Pyongyang's structure of government could have a number of impacts. From Japan's standpoint, the most direct would be a refugee exodus from North Korea. According to press reports in January 2007, the Japanese government has already analyzed a number of scenarios that deal with such an eventuality. According to the press reports, the government is forecasting a rise in the number of refugees to around 100,000–

The Kim Jong II Succession Issue

Who will take over the North Korean government in a post-Kim Jong II world? The world's governments and experts in Japan and other countries have had a keen interest in this question.

An article entitled "Commentary: Long Live the Partisan Story," which appeared in the June 28, 2008 edition of the *Rodong Sinmun*, contained statements suggesting that any successor to National Military Commission Chairman Kim Jong II would have to be related by blood to the chairman. In another article in the same paper on August 11 (entitled "The Achievements of the Great Comrades of Kim Il-Sung—Those Who Built Our Socialist Country for the People and the Masses—will Last for an Eternity"), the discussion focused on "legitimacy," saying that a legitimate successor would be one who carried on the politics of "the military first."

If the chairman is not succeeded by one of his sons, one person who is being spoken of as a possible successor is Jang Song Thaek, a director of the North Korean Workers' Party Central Committee, who made a political comeback in 2007.

On the other hand, if there is no designated leader, some kind of collective leadership regime could emerge, in which power is shared by the Korean People's Army and the Military Commission and by the Workers' Party. Such a collective regime would often tilt in an increasingly conservative direction. However, some see such a collective regime being short-lived, as increasingly serious internal conflicts undermine unity. Such a situation would cause increasing instability in the North Korean regime.

150,000, and its principal concern, from the standpoint of Japan's national security, is disguised refugees. Victor Cha, former Director of East Asia in the US National Security Council, has called for preparations to be made for contingencies in the wake of a possible collapse of the North Korean regime. Under Cha's proposal, the United States would first discuss countermeasures with South Korea and then would involve Japan in a three-way discussion on refugee-related measures and additional logistical assistance.

The Center for Strategic and International Studies (CSIS), one of the well-known and highly regarded public policy institutions in the United States, delved into this question in a report published in January 2008. In this report, the authors stated that certain elements within the People's Liberation Army (PLA) were advocating that units of the Chinese military be deployed to the DPRK in the event of instability within North Korea, not only for rescue and other humanitarian missions, but also to secure the safety of nuclear facilities and nuclear material. The same report adds that there are researchers within the PLA who support entering into formal discussions with the United States to ensure the common objective of securing the safety of nuclear weapons and material.

At a minimum, there seems to be a need for Japan to further examine ways to deal with the refugee problem.

3. South Korea—A Conservative Government Seeking to Repair the Economy and Relations with the United States

(1) Anti-government Rallies: A First Big Test for the New Administration

With President Lee Myung-bak's inauguration on February 25, 2008, a conservative government was returned to power for the first time in 10 years. Although it was elected to rebuild the nation's economy, the Lee administration faced sagging approval ratings almost immediately after it took office.

In the presidential election in December 2007, candidate Lee Myung-bak from the conservative Grand National Party captured 48.7 percent of the vote, prevailing over the progressive Chung Dong-young, who had served in the Cabinet of President Roh Moo-hyun (and who won 26.1 percent). Lee's victory was widely attributed at the time to President Roh's "misgovernment." With the gap in incomes between the rich and poor widening and with young people finding jobs

increasingly difficult to come by, voters felt that conditions in the economy and society had deteriorated under President Roh and chose to place their hopes on the managerial abilities of Lee, who was a competent CEO of Hyundai and a former mayor of Seoul.

In the April 2008 general election for the National Assembly, President Lee's Grand National Party faced stiffer opposition than originally expected but nevertheless captured 153 of the total 299 seats. The United Democratic Party, which evolved from former President Roh's governing party (and which changed its name to the Democratic Party in July), captured only 81 seats, reflecting in part the defeat of its presidential candidate, Chung Dong-young. Because the president in South Korea serves for five years and members of the unicameral National Assembly hold office for four (with no dissolution), President Lee had acquired a base of power for potentially steady management of the nation's affairs.

However, just about this time, low approval ratings and opposition from the people began to stand in his way. According to the *Chosun Ilbo*, Lee's approval ratings had declined from around 50 percent immediately after his inauguration to 21.2 percent at the end of May.

In the May–June period, a series of massive anti-Lee Myung-bak rallies broke out in Seoul and other cities in response to his administration's decision to resume the importation of US beef. The original impetus for these demonstrations was a fierce backlash of public opinion that flashed across the Internet against this move. In the newly elected National Assembly, attacks by opposition parties against the government intensified, causing ordinary deliberations to be suspended on numerous occasions.

During the presidential election, Lee had promised to lift the country's economic growth to 7 percent annually. As president, in the face of the global financial crisis and other problems, achieving this goal has become a major uphill battle. From a rate of 5 percent in real terms in 2007, economic growth fell to 2.5 percent in 2008. Projections for 2009 now call for the economy to contract by around 2 percent during the year.

Faced with mounting opposition and a weakened economy, President Lee has apologized to the South Korean people and stated on countless occasions that he will reexamine his policies with an attitude of humility. But with the situation in South Korean society complicated by anti-government passions, which can be inflamed by the flimsiest of information being passed around the Internet, instances

of friction between the government and society are likely to recur hereafter. The people's report card on Lee will be handed to him during the multiple by-elections for the National Assembly that will undoubtedly take place during his term.

(2) A Future-Oriented US-ROK Alliance

In terms of foreign policy and its relations with North Korea, the Lee Myung-bak administration has made strengthening South Korea's alliance with the United States its top priority while sending a clear message to the North that it expects DPRK to denuclearize and to improve its humanitarian situation. This approach reflects the perception of President Lee and his supporters that former President Roh Moo-hyun placed too much emphasis on improving relations with Pyongyang and that by doing so he neglected the principle of denuclearization and the task of maintaining the country's alliance with the United States. Partly because it is the first conservative government in ten years, President Lee's new administration has, for better or for worse, leaned heavily toward rejecting the policies of the previous administration.

While it is true that President Roh took power in a period of growing anti-Americanism in South Korea, he proposed policies and made statements that could easily have been interpreted as wanting to diminish the role played by the United States in the national security of his country. A number of examples illustrate this point: his slogan of "cooperative and self-reliant national defense" and his proposal to transfer wartime OPCON; his advocacy of the concept of South Korea as balancer to maintain peace in Northeast Asia (the Balancer of Northeast Asia Initiative); and his rejection of the idea of developing a US-ROK operation plan to prepare for a contingency in North Korea. There were also clear differences between the United States and South Korea in terms of policies toward Pyongyang and perceptions of its threat. President Roh frequently made statements expressing an understanding of Pyongyang's positions and even urged President Bush to look with more understanding toward the North.

These kinds of words and actions provoked resentment in the Bush administration and led to a rocky period of relations between the two countries. Yet it is also true that the Roh administration acted in ways that strengthened the US-ROK relationship. It dispatched its military to Iraq, cooperated in the structural realignment of US Forces Korea and in the closing and integration of US bases within Korea, and signed the US-ROK Free Trade Agreement.

In his first official trip overseas, President Lee visited the United States April 15–19 and conferred with President Bush. Lee and Bush met again at Toyako, Hokkaido in July and again in Seoul in August. Through this series of meetings, the two presidents resolved to move forward with “developing the Alliance into a strategic and future-oriented structure.” They further agreed “to develop the Alliance in way that will also contribute to peace and prosperity at the regional and global level.” In this way, the United States and South Korea arrived at a mutual recognition that the role of the US-ROK Alliance was no longer limited to deterring and dealing with North Korea.

In addition, President Lee demonstrated that his administration was prepared to respond to the expectations of the United States by deciding to resume imports of US-produced beef, which Seoul had prohibited since 2003 because of the outbreak of “mad cow disease” in the United States. On the other hand, President Bush showed consideration to President Lee by inviting him to the Camp David Presidential Retreat, a first for a South Korean president. President Bush also agreed to open additional negotiations on beef imports and exports when demonstrations in South Korea against US beef began to boil over, placing the government in a precarious position. Finally, after many years of reductions, Bush agreed to hold the number of US troops in Korea at its current level of 28,500. Another instance of this kind of consideration may have been shown regarding the Liancourt Rocks, which are known in Japan as Takeshima. The US government’s Board on Geographic Names, which had changed its attribution of sovereignty for the islands from the original “South Korea or oceans” to “undesignated sovereignty,” reversed this decision and reattributed sovereignty to “South Korea or oceans” just before President Bush’s official visit to Seoul.

US-ROK relations under the Lee administration thus began with consideration being extended in both directions. Hereafter, however, the two countries’ views could differ regarding the ROK’s role in the global arena. For example, there is the issue of how to deal with stabilizing Afghanistan. There is at least one part of the US government that is hoping Seoul will deploy its military to the country. The government in Seoul, on the other hand, has repeatedly rejected the possibility of a military deployment. Although South Korea currently provides medical and other support activities in Afghanistan, its decision not to redeploy troops to the country reflects a judgment that such a move would not be supported by the Korean people.

(3) Strengthening Relations with Japan, China, and Russia

President Lee has indicated that next to the United States he intends to place priority on relations with Japan, China, and Russia. South Koreans have traditionally thought of these three countries plus the United States as the “four major powers,” whose actions influence the situation in the Korean Peninsula, and President Lee’s intentions arise out directly of this tradition. Needless to say, the four major powers are also participants in the Six-party Talks. From the standpoint of a president who is seeking to vitalize the economy, they are also indispensable trading partners.

During the Roh Moo-hyun administration, Seoul’s political relations with Japan were at times even less cordial than its relations with the United States. In the latter half of his term, President Roh began to criticize Japan harshly over the issues of historical awareness and Takeshima. He drastically cut back on opportunities to interact with Japan’s prime minister. Before President Roh entered office, Japan, the United States, and South Korea used to meet frequently to coordinate policy regarding North Korea. During the Roh administration, this three-way coordination came to a sudden halt.

President Lee was both highly motivated and confident about his ability to improve Japan-ROK relations, which had gone sour under the previous administration. As a symbol of his intentions, he revived the practice of “shuttle diplomacy” between the countries’ two leaders, something that Japan had long desired. In 2008, Prime Minister Fukuda and President Lee exchanged visits, the former going to Seoul in February and the latter visiting Tokyo in April. On July 8–9, President Lee again visited Japan, to attend the Hokkaido Toyako Summit. Both leaders resolved that Japan and South Korea would face the facts of history squarely, have a vision for the future, and contribute together to international society. With respect to North Korea policy, Prime Minister Fukuda expressed his support for President Lee’s “Denuclearization, Openness, 3000” initiative (discussed below) and both countries then joined the United States in pledging trilateral cooperation regarding the DPRK. At each critical juncture in the issue of North Korea’s nuclear program, high-level diplomats from the three nations once again began to meet face-to-face.

However, on July 14, Japan’s Education Ministry released its new “Courses of Study for Middle Schools” guidelines, which included a statement that Takeshima was Japanese territory. This sparked a renewal of South Korean

criticism of Japan.

Essentially, since the Japanese government adheres to the position that Takeshima is Japanese territory, it is not unreasonable for it to stipulate that this should be taught through the nation's system of compulsory education. Moreover, the commentary also goes on to say "there has been a difference in stance between our country and the Republic of Korea on the issue of Takeshima Island." Further, the Japanese government has continued to maintain that the Takeshima issue should be resolved peacefully—that both Japan and South Korea, while recognizing their different views on this issue, should cooperate on matters affecting the peace and prosperity of the region.

On the other hand, having just agreed with Prime Minister Fukuda "to build a future-oriented bilateral relationship," President Lee expressed "profound disappointment and great displeasure" at the Japanese government's decision and instructed that this matter should be "dealt with adamantly and sternly." South Korea's Ministry of Foreign Affairs and Trade demanded an immediate correction of the commentary and recalled its Ambassador to Japan, Kwon Chul-hyun. The press reported that President Lee himself was not sure whether he would or would not be attending the Japan-China-ROK Trilateral Summit Meeting scheduled for Japan at the end of September.

On July 30, South Korea carried out a joint defense drill involving its Navy, Air Force, and Coast Guard for the purpose of defending Takeshima. While maintaining that this drill had previously been scheduled, Seoul announced on July 24 that it would be "executed on an expanded basis." According to reports in the South Korean press, the drills would involve six naval warships, two coast guard vessels, and four planes, whose mission would be to expel unidentified ships seeking to approach Takeshima. While these drills have been a regular occurrence each year, Seoul had always conducted them outside of public view in deference to its diplomatic relations with Japan. The media reported that similar drills were again held in December.

The South Korean media and public expressed their anger against Japan. But this anger did not translate into the kind of large-scale demonstrations that were aroused at the time of the beef issue.

On August 15, in his speech commemorating National Liberation Day (the day on which Korea was freed from Japanese colonial rule) and the 60th anniversary of the founding of the Republic of Korea, President Lee, while not referring

directly to Takeshima, called on Japan to “refrain from making the foolish mistake of repeating the unfortunate past again today.” Addressing the South Korean people, he appealed to them to work with their own hands, saying that if South Korea became “rich and powerful,” “no country will dare covet our territory.” Appearing on the “Dialogue with the People” television program on September 9, Lee said that his government would come up with “substantial plans to demonstrate Korea’s rightful claim in a cool but firm manner” to Takeshima. Many believe that Lee assessed the political situation and understood that the more the two nations raised a ruckus over this issue, the more likely international society would consider the islands a “conflict zone,” which would benefit Japan. Compared with the often emotional responses by President Roh Moo-hyun, President Lee has come across on this issue as calm and thoughtful.

During this period, Japan, the United States, and South Korea continued to work cooperatively on the North Korean nuclear issue. In October, two Japan Maritime Self-Defense Force vessels participated in an international fleet review at Busan that commemorated the 60th anniversary of the foundation of the South Korean government and its armed forces.

On October 24, President Lee held a meeting with Prime Minister Taro Aso of Japan in Beijing, at which both resolved to “continue” the shuttle diplomacy between the leaders of both nations. Lee and Aso subsequently met again in Fukuoka in December, and in Seoul, in January 2009.

Each year close to five million people travel between Japan and South Korea. Despite the hostility that continues to exist on certain issues, this figure testifies to the very strong ties that have developed between the two countries in terms of the economy, tourism, and culture.

President Lee also has engaged in a full schedule of summit diplomacy with the leaders of China and Russia. He visited Beijing and other cities on May 27–30 and attended the opening ceremony of the Beijing Olympics in August. On August 25–26, President Hu Jintao of China visited Seoul. Through these meetings, both leaders resolved to upgrade China-ROK relations to a “strategic cooperative partnership,” to cooperate in bringing peace and stability to the Korean Peninsula and Northeast Asia, and to stress trilateral cooperation among Japan, China, and South Korea. They also confirmed that the issue of establishing ocean boundaries between the two countries remained unresolved. And, the Japan-China-ROK Trilateral Summit Meeting did take place—in December 2008 in Fukuoka.

One of the aims that South Korea has for this strategic partnership is to promote greater trust militarily with China. Or, one could say, it is seeking to “relativize” the relationship that China has with North Korea, as provided for under the Sino-North Korea Treaty of Friendship, Cooperation, and Mutual Assistance—in particular, the military relationship between the two countries. Since the normalization of China-South Korea relations in 1992, China has been more cautious than South Korea on the issue of China-ROK military exchanges, out of consideration for North Korea’s position. However, in November 2008, it finally agreed to establish hotlines with South Korea’s Navy and Air Force. Seoul has moved a step forward toward its goal.

On the other hand, through its establishment of a strategic partnership with South Korea, China’s aim may be to restrain a further strengthening of the US-ROK Alliance. If that is the case, then it can be argued that the Lee administration’s efforts to strengthen relations with the United States have succeeded in eliciting a change in China’s stance.

On September 28–30, President Lee visited Russia, where he met with President Dmitriy Medvedev and Prime Minister Vladimir Putin. As with China, South Korea reached an agreement with Russia to upgrade the relationship between the two countries to a “strategic cooperative partnership.” For South Korea, it has become increasingly important to strengthen its relations with Russia not only because Russia is developing closer economic ties with North Korea but, as the chair country for the Working Group on a Northeast Asia Peace and Security Mechanism, it is eager to involve itself in the establishment of order in this region.

In addition to cooperating on the peaceful uses of outer space, the countries agreed on the construction of a natural gas pipeline that would carry natural gas from Russia to South Korea. This took the form of a memorandum of understanding between the state-run Korea Gas Corporation and Gazprom. President Lee also told Russia that he saw the possibility of tremendous success for the railway link connecting the Inter-Korean Railroad and the Trans-Siberian Railroad. Because both the gas pipeline and the railway will transit North Korea, if realized these projects will bring economic benefits to the DPRK and play a major role in easing tensions in the Korean Peninsula. President Lee’s “Denuclearization, Openness, 3000” initiative stipulates that South Korea and other countries will provide the assistance needed to get construction of both the railway and the pipeline underway. But work on these projects will probably only begin after North Korea has made

real progress in denuclearization.

(4) Stagnant Relationship with North Korea

President Lee's "Denuclearization, Openness, 3000" initiative would reward North Korea with large amounts of economic aid if Pyongyang abandons its nuclear program and moves from isolation to openness. Through a variety of projects such as developing competent North Korean exporters and building an expressway between Seoul and Sinuiju, the initiative proposes to increase North Korea's national income on a per-capita basis from today's (estimated) \$500 to \$3,000 over a ten-year period.

On the other hand, President Lee initially did not refer to either the June 15 South-North Joint Declaration of 2002 or the October 4 Summit Declaration of 2007, which had been entered into with Kim Jong Il by former ROK presidents Kim Dae-jung and Roh Moo-hyun, respectively. However, he did continue the two projects which are widely considered to be the signal achievements of their North Korean policies, tourism to Mt. Kumgang and the Kaesong Industrial Zone.

President Lee's stance on these two agreements can be understood against the background of his earlier criticisms of the former presidents' actions. He and his advisors considered the Kim and Roh administrations' policies on North Korea to have been one-way propositions: the South only gave to North Korea and got very little in return. Among the South Korean people as well, many had been voicing opposition to the unconditional provision of aid to North Korea.

The North Korean authorities were initially silent toward the Lee administration. However, on March 24, they evicted South Korean officials from the Kaesong Industrial Zone in North Korea (while continuing manufacturing activity at the South Korean-run facilities), making it evident that they had chosen to oppose the new administration. They criticized President Lee by name for the first time and called his "Denuclearization, Openness, 3000" initiative an "anti-reunification declaration...that would drive north-south relations to a collapse." Stretching their reasoning, they also said: "The DPRK is not such a state which will meekly yield to the pressure of someone to unilaterally dismantle the nuclear deterrent... a shield for justice and peace." Then, unlike in past years, the North Korean authorities did not make their usual demands for food and fertilizer aid from the ROK.

A number of statements or actions made by the ROK could have triggered

this kind of criticism. The South Korean government had taken up the issue of human rights in North Korea at the United Nations; South Korean Unification Minister Kim Ha-joong said that he believed that expansion of the Kaesong Industrial Zone would be difficult without progress on the nuclear issue; and, Army Gen. Kim Tae-young, chairman of South Korea's Joint Chiefs of Staff, responded to a question at his confirmation hearing in the National Assembly by saying that he believed that it would be necessary to attack the North before they used their nuclear weapons. The Joint Chiefs has denied that Gen. Kim ever made such a statement.

On July 11, a North Korean soldier shot and killed a South Korean tourist at Mt. Kumgang in North Korea. Whether this was an accidental incident, as North Korea was claiming, or whether Pyongyang engineered the attack with specific motives in mind is still unclear. In either case, South Korea responded by suspending tourism to Mt. Kumgang until a joint South-North team could investigate and measures could be put in place to prevent another incident. North Korea refused to participate in the joint investigation.

The incident at Mt. Kumgang symbolized the rut into which North-South relations had fallen. To begin to move forward again, President Lee pressed for the initial conditions on denuclearization to be moderated. On his visit to the United States in April, Lee indicated that he would be willing to provide aid to the North before the DPRK achieved "complete denuclearization." He spelled out four principles for economic cooperation with Pyongyang: (a) the provision of aid in stages, in response to actual progress in denuclearization; (b) economic feasibility; (c) the ability of South Korea to bear the financial burden; and (d) agreement by the people of South Korea. On the day of the Mt. Kumgang incident, President Lee was at the National Assembly urging a resumption of dialogue with North Korea. In that speech, he touched on the issue of implementing the June 15 South-North Joint Declaration and the October 4 Summit Declaration, saying that he was prepared to discuss the large projects promised under the tenures of President Roh and others. In addition, in his speech on National Liberation Day (August 15), he stated that his administration's aim would be to bring about "mutual benefits and common prosperity" in South-North relations. And he went out of his way to say that, at his meeting with President Bush, he discussed his idea of having US, South Korean, and international financial institutions provide aid to North Korea. These statements elicited no positive

responses from Pyongyang.

The Lee administration has proposed that South Korea and North Korea continue their contacts within the framework of the Six-party Talks and Pyongyang has responded affirmatively. The Lee administration, like the previous one, places importance on the continuation of the Six-party Talks. When the United States government removed North Korea from the list of state sponsors of terrorism in October, the Lee administration considered the action a valuable step toward normalizing the Six-party Talks.

On October 2, responding to a proposal by Pyongyang, South Korea met with the DPRK at Panmunjom for working level inter-Korean military talks. For the Lee administration, these were the first official talks with the North Korea since it took office. Although nothing concrete resulted from the talks, South Korea discovered that authorities in the North had become extremely jittery about fliers that were being disseminated in their country by balloons, which were launched by private groups from South Korea and other countries. The fliers contained messages criticizing the Kim Jong Il regime.

On November 16, President Lee said in Washington that while the immediate goal would be peaceful coexistence with a non-nuclear North Korea, his ultimate aim was to achieve “unification under a liberal democratic system.” Pyongyang considered such statements, along with the president’s “Denuclearization, Openness, 3000” initiative and other actions aimed at North Korea, to be “hostile scheming” against the DPRK and condemned them as measures that “categorically reject” the June 15 South-North Joint Declaration and the October 4 Summit Declaration. The DPRK further responded by implementing a virtually complete shutdown of crossings of people and materials between South and North Korea via road or rail, starting on December 1 (with operations partially continuing at the Kaesong Industrial Zone).

As political and economic relations with North Korea thus went nowhere, large economic cooperation projects promised by President Roh Moo-hyun to Chairman Kim Jong Il in October 2007 gathered dust. A couple of projects are emblematic of the kind of cooperation that was envisioned at the time. One involves the Yellow Sea, where the sea boundary claims of both countries are in conflict. The project, for a “special peace and cooperation zone” in the Yellow Sea, would change the contested area into a “sea of peace” through joint development. Another project proposes the creation of zones of cooperation for the shipbuilding industry in

Anbyon and Nampho, North Korea.

(5) National Defense Review

Since the election campaign, President Lee Myung-bak and his supporters have been calling for a review of the Roh Moo-hyun administration's policies relating to national defense. In his Armed Forces Day speech on October 1, 2008, President Lee said that the ROK military "must be transformed into an advanced, elite, and powerful force." Underlying this statement was a perception by Lee that the conciliatory policies toward the North adopted during progressively minded administrations had led the South Korean military to become slightly ambiguous about the threat posed by North Korea.

In consideration of Pyongyang's feelings, the Roh administration had stopped using the expression "main enemy" when referring to DPRK, language that had been used to date in most of the ROK's Defense White Papers. In contrast, in March 2008, the new Lee administration's Ministry of National Defense used the expression "substantial threat" in reference to the military capabilities of North Korea. While it avoided using the words "main enemy," it left no doubt about its perception of the threat posed by the DPRK.

Since the campaign, President Lee and his supporters have argued for the need to reassess the "Defense Reform 2020" ("DR 2020") plan and the timing of the transfer of wartime OPCON. The former, released by the Roh administration in September 2005, would reduce the size of the ROK Army from ten corps, comprising 548,000 troops at the time of the plan, to six corps comprising 371,000 troops by 2020. 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 air wing, and two marine divisions) to 64,000 personnel (three fleets, one submarine command, one naval air command, one mobile flotilla, and two marine corps divisions), while the ROK Air Force would be maintained at 65,000 personnel (increasing its combat commands from one to two). While implementing manpower cutbacks in mainly the Army, the plan's measures would also maintain/strengthen the strategic capabilities of the South Korean military as a whole by accelerating equipment modernization in its three services.

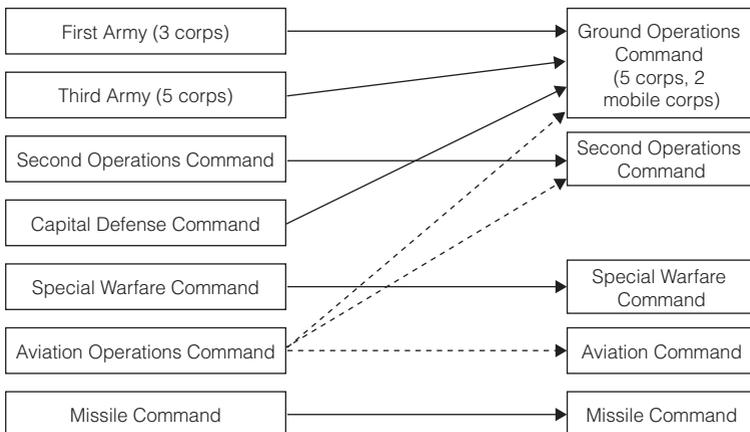
While the Lee camp took issue with DR 2020 from a number of perspectives—in budgetary terms, it was unworkable; reductions in troop levels would cause a weakening of the South Korea's ability to deter North Korea; the plan did not

reflect the new reality of the DPRK’s nuclear weapon tests—it was also seeking to appeal to the large bloc of voters represented by military veterans, who were opposed to reductions in the ROK Army. After his inauguration, President Lee altered his policy on DR 2020, saying that he would “supplement” the plan rather than subject it to a comprehensive reassessment.

On November 24, the Ministry of National Defense released parts of its proposed amendments to DR 2020. According to this statement, the number of troops in the military as a whole would be reduced from 680,000 in 2006 to 500,000 in 2020 (target cuts of each service were not released). At the same time, the Ministry of National Defense made it clear that it believed that ensuring an adequate deterrence capability against the North Korean military should take precedence over troop reductions and organizational realignments, and it left open the possibility of adjustments to this plan through changes in the numbers of troops cut or in the timing of such reductions.

In terms of combat units that would fight under a new ROK Joint Forces Commander, the defense ministry’s proposal increases this number to seven Army corps (five regional corps and two mobile corps) from the six that DR 2020 had

Figure 3.1. Proposed realignment of major combat units in the ROK Army



Sources: Material published by the ROK Ministry of National Defense and from the November 25, 2008, *Korea Defense Daily*.

Note: Includes assumptions about command realignments.

set as its goal. The ministry explains that one of the corps would be the Capital Defense Command that is in charge of defending Seoul, which would be reorganized into a regional corps (see Figure 3.1).

The realignment proposal for the ROK Navy itself does not alter the proposals contained in DR 2020. The goal would continue to be to give the Navy the ability to watch all of the coastal waters of the Korean Peninsula and to inflict damage on the enemy in hostile encounters. However, a number of changes have been proposed for the ROK Marine Corps. Each of the two Marine divisions would be given a new air battalion, while an intelligence brigade and a communication brigade would be established under the command of the ROK Marine Corps. The aim is apparently to provide for greater rapid strike/amphibious capabilities using helicopters and to enhance network-centric warfare capabilities.

With respect to the ROK Air Force, the proposed amendment replicates DR 2020 in calling for the establishment of a new Northern Combat Command (mostly likely in Osan) to complement the present Southern Combat Command (which was established in Daegu in 2003), giving the Air Force a precision strike capability throughout the Korean Peninsula. The proposal also calls for the establishment of a new tactical air control unit, which will control close air support for the ground forces of friendly troops, a task formerly handled by the United States military. This is clearly related to the transfer of wartime OPCON.

The above proposal was scheduled to be completed and formally released in mid-December. However, the global financial crisis made securing funding for these changes difficult, and the government announced at the end of December that further amendments would be necessary. It now expects the proposal to be completed between May and June, 2009.

After it took power, the Lee administration made it clear that it would go along with the previous administration's policy on the transfer of wartime OPCON, which is scheduled to occur on April 17, 2012. South Korean Minister of National Defense Lee Sang-hee and US Secretary of Defense Robert Gates confirmed this policy in Seoul on June 3, 2008. Wartime OPCON refers to operations control over ROK military combat units during a military contingency on the Korean Peninsula. Currently, this authority is in the hands of a US Army general who commands the ROK-US Combined Forces Command (CFC), as well as the United Nations Command and the USFK. Negotiations on the transfer of wartime OPCON began in earnest because President Roh Moo-Hyun expressed a strong

desire to have South Korea assume full responsibility for its own defense. The United States and South Korea reached agreement on the transfer in February 2007. During the presidential election, however, there was strong opposition among veterans, a powerful group of Lee Myung-bak supporters, who argued that it was too soon to transfer OPCON given the South Korean military's capabilities. As a candidate, Lee himself left the impression that he might postpone the timing of the transfer.

If the transfer occurs, the current CFC will be dissolved. What both militaries will look like after the transfer is gradually becoming known. Specifically, the ROK military will establish a Joint Forces Command (JFC), while separately the United States military will establish a US Korea Command (a provisional name, which means "US military command in South Korea"), with each having control over its respective combat units. On the South Korean side, the chairman of the Joint Chiefs of Staff is apparently set to double as commander of the JFC (see Figure 3.2). To test this post-April 2012 structure, the United States and South Korea carried out the "Ulchi Freedom Guardian" exercise in South Korea on August 18–22, 2008. Their policy is to continue holding such exercises between now and March 2012 in order to uncover and correct any problem areas.

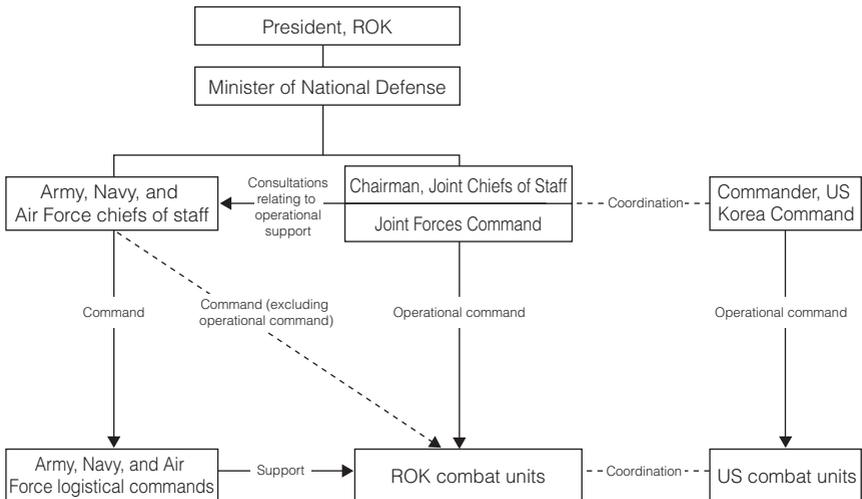
The United States has continued to reduce its troop levels in South Korea and had plans to bring the number down to 25,000 at the end of 2008. However, on President Lee Myung-bak's visit to the United States in April 2008, President Bush promised that he would maintain troop strength at the current 28,500. At this time, two battalions of AH-64 Apache Longbow attack helicopters had been scheduled to remain in South Korea, but in November the United States decided to move one battalion (consisting of 24 aircraft) back to the US mainland in March 2009. In its place, the US military announced that twelve A-10 attack aircraft and two MH-53 minesweeping helicopters would be deployed to South Korea, giving the country more offensive power than the Apaches would have provided. However,

in January 2009, problems were discovered with the A-10s, leading to a decision to deploy twelve F-16 fighters instead.

From a short-term perspective, the United States' increasing needs in Afghanistan probably dictated the withdrawal of the Apache squadron. Longer term, however, the move appears consistent with the vision that the United States has for the structure of its military in South Korea, which is to change it from an Army-centered force to a Navy- and Air Force-centered force.

The move of USFK headquarters from Seoul to Pyeongtaek, which was agreed to during the Roh Moo-hyun administration, will also take place in 2012 (with the various US military bases scattered to the north of Seoul integrated and moved to Pyeongtaek). However, these plans are currently facing construction delays and rising overall costs of which the South Korean government is to share. In part because of a financial crisis-induced shortage of funds on the US side, some media reports speculate that the move to Pyeongtaek is now likely to take place in 2014.

Figure 3.2. Command and coordination between US and ROK units after the transfer of wartime OPCON



Source: Material published by the ROK Ministry of National Defense.

Note: The United States and the ROK are considering establishing "Military Coordination Centers" as a coordinating body between the two countries.

With the leaders of both nations having just confirmed a global role for the US-ROK Alliance, the US government, or at least certain segments of it, hinted that South Korea should redeploy its military to Afghanistan as a part of this expanded role. South Korea has just withdrawn its military units from Afghanistan and Iraq, where they were involved in medical care (withdrawal in December 2007) and in reconstruction assistance (withdrawal in December 2008), respectively. There was strong resistance domestically to these deployments, with many either totally opposed or saying that the units should be involved only in non-combat roles. The Lee administration thus has no choice but to be cautious about redeploying troops to Afghanistan. At the same time, Seoul is eager to cooperate internationally in ways commensurate with its national power—and in ways that do not involve primarily a combat role. In addition to participating as peacekeepers in the United Nations Interim Force in Lebanon (from July 2007, with a contribution of about 350 troops), South Korea is also considering dispatching a naval vessel to the coast of Somalia to help combat piracy. The Lee administration will be discussing a “future vision” for the US-ROK Alliance with the new Obama administration, which will include the issue of South Korea’s international contribution.

South Korea: Steady Progress in Modernization of Military Equipment

Over the past several years, the South Korean military has made rapid gains in the modernization of its military equipment and steady progress was again made in 2008. In relation to the ROK Army, the domestically manufactured K-21 infantry fighting vehicle moved into mass production, while the XK-2 main battle tank (the Black Panther), which is now under development, participated in the Armed Forces Day parade in October. Both of these vehicles will be connected through battlefield joint-operation network systems. The K-11 rifle, which is capable of launching air-burst grenades, is now under production and is scheduled to be placed in the field in 2010. Domestic development of the Korean Utility Helicopter (KUH), which will be used by the Army, is also progressing.

In September, the ROK Navy commissioned the guided missile destroyer *Choi Yong*. This was the sixth and last vessel of the *Chungmugong Yi Sun-sin*-class destroyers (KDX-II, 4,500 tons), the first of which was commissioned in 2003. In December 2008, the Navy also commissioned the first of its Aegis-equipped *King Sejong the Great*-class destroyers (KDX-III, 7,600 tons). In November, the second of these KDX-III destroyers, the *Yulgok Yi I*, was launched. Currently, the third ship in this class is under construction.

In December, the Navy commissioned the *Jeong Ji*, its second *Son Won II*-class submarine (Type 214, 1,800 tons). In June, it launched the third submarine in this class, the *An Jung-geun*. Because of its air-independent propulsion system, the Type 214 submarine can travel underwater for long periods of time. These submarines are capable launching both Harpoon anti-ship missiles and torpedoes. Finally, in December, the Navy commissioned the first of its antiship missile-equipped high-speed naval crafts (440 tons).

The ROK Air Force made a decision in April to import 21 new F-15K fighters. This will bring the total number of its F-15Ks, including planes that it has already acquired, to 60 in 2012.

In December, the Air Force deployed the Patriot PAC-2 surface-to-air missiles that it purchased from Germany. In November, Defense Minister Lee Sang-hee reported to the National Assembly that these missiles will be able to intercept Scud missiles launched from North Korea.

While advancing domestic weapons development, South Korea is also keenly interested in exporting these weapons. With domestic demand alone capable of generating only a limited scale of production, Seoul is seeking to expand production through exports, thereby earning the means to advance technological development. South Korean defense industry exports in 2008 amounted to \$1.03 billion. The country aims to increase this to \$1.2 billion in 2009.