

## **Part II**

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# **Regional Outlook**



## **Chapter 5**

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# **The Korean Peninsula**



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North Korea's nuclear development program has created serious international friction, even as the country extends friendly gestures to the South. Coming at such a critical time—when South Korea was about to elect its next president—the issue will profoundly impact the North-South relationship and any hopes for reunification. President Kim Dae Jung had hoped that the tenacity of his Sunshine Policy would bear fruit, while South Korea maintained good relations with its neighbors. However, rising domestic anti-Americanism strained its relations with the United States.

North Korea began to modify its centrally controlled economy, possibly leading to full-blown reforms. However, the Sinuiju Special Administrative Region, which had attracted considerable attention, got off to a shaky start when Chinese authorities arrested its first governor. The Bush administration, highly critical of North Korea's human rights record and its development of weapons of mass destruction (WMD), labeled it a member of the "axis of evil." North Korea tried to extract a pledge of economic assistance from Japan by establishing diplomatic relations, but its admission that it was developing nuclear weapons drove it into a tight diplomatic corner. Even Russia, maintaining close relations with the North and aiming to establish a railway link, is opposed to North Korea's nuclear weapon program.

South Korea has been pressing ahead with a large-scale arms buildup (yet not in proportion to any military threat from the North), launching a domestically built KDX-II 4,000-ton class destroyer, purchasing an Aegis system for its KDX-III program, and selecting the F-15K as its next-generation mainstay fighter. It has jointly developed with the United States T-50 advanced trainers, suggesting that South Korea may accelerate its arms export drive.

North Korea realizes the importance of its asymmetric military power to counter the advanced technology and weaponry of the United States and South Korea. It maintains a large special operations force, and has provoked the South by exchanging fire with its

boats in the Yellow Sea. North Korea is also actively developing WMD and ballistic missiles, and their proliferation beyond the Korean Peninsula is serious cause for concern.

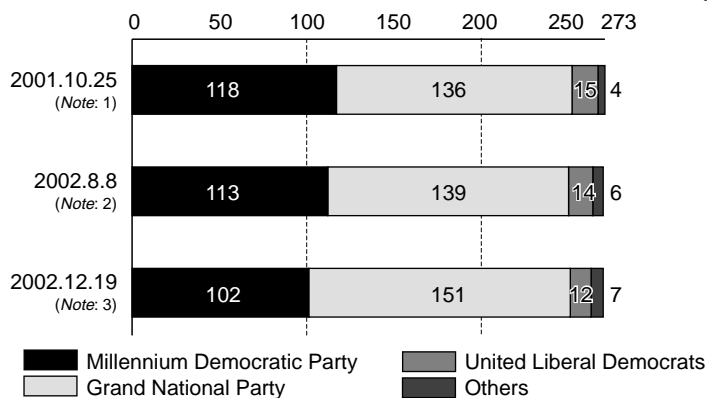
## 1. Internal Affairs and Diplomacy of South Korea

### (1) The Election of Roh Moo Hyun as President

During Kim Dae Jung's last year in office, 2002, he was unable to tie up many loose ends as a lame duck president, especially once a spate of political scandals—implicating his sons and close aides—came to light. He was criticized for rewarding those from his native province with government positions and promotions, and in the shadow of scandals, his approval rating suffered.

As a result, the ruling Millennium Democratic Party (MDP) suffered crushing defeats in June local elections and August national by-elections. The Grand National Party (GNP), the largest opposition party, won a majority in the National Assembly, and two candidates the president had nominated for prime minister were re-

**Chart 5-1. Distribution of Seats in the National Assembly**



Note: 1. After the by-election (3 seats)  
 2. After the by-election (13 seats)  
 3. After the by-election (one seat)  
 Source: Compiled from major South Korean news media.

jected by the National Assembly, leaving the premiership vacant for three months. However, in the December presidential election, progressive Roh Moo Hyun of the MDP defeated conservative Lee Hoi Chang of the GNP, thus guaranteeing the continuation of former President Kim's domestic and foreign policies.

While both presidential candidates came from the legal profession, their personal backgrounds and political aspirations differed widely. Born into a poor farming family soon after World War II, Roh graduated from a commercial high school and eventually passed the bar exam. He made a name for himself as a civil rights lawyer by getting involved in anti-government movements during the military junta in the 1980s; later he was elected a member of

**Table 5-1. Movement of Domestic Politics in South Korea (2002)**

Apr.	28	At a national convention, the MDP nominates Roh Moo Hyun for presidential candidate.
May	6	Kim Dae Jung apologizes on TV for scandals in which his sons and aides are implicated, and announces his intentions to leave the MDP.
May	9	The GNP nominates Lee Hoi Chang for presidential candidate.
May	31	The 2002 FIFA World Cup, cohosted by Japan and South Korea, opens (until Jun. 30).
Jun.	13	In nationwide local elections, the GNP win 11 out of 16 races for mayor and governor.
Aug.	8	The GNP wins 11 out of the 13 seats of the National Assembly contested in a by-election.
Sep.	17	Chung Mong Joon declares his candidacy as president.
Oct.	5	The National Assembly confirms the nomination of Kim Suk Soo as prime minister, filling the vacant post after almost three months.
Nov.	5	Chung Mong Joon launches a new party "National Alliance 21."
Nov.	16	Roh Moo Hyun and Chung Mong Joon agree to field one presidential candidate from the MDP and the National Alliance 21 based on the results of a poll.
Nov.	25	The MDP and the National Alliance 21 announce that Roh Moo Hyun is the unified presidential candidate. In a poll, Roh Moo Hyun won 46.8% and Chung Mong Joon 42.2%.
Nov.	27	Presidential campaign formally starts.
Dec.	13	Chung Mong Joon agrees to cooperate with Roh Moo Hyun in the presidential campaign.
Dec.	18	Chung Mong Joon withdraws his support for candidate Roh Moo Hyun at 10:30 P.M.
Dec.	19	In the 16th presidential election, Roh Moo Hyun defeats Lee Hoi Chang

Source: Compiled from South Korean news media.

the National Assembly, gaining popularity by advocating somewhat “radical” reforms. By contrast, Lee Hoi Chang was born before World War II in the well-to-do home of a lawyer. More recently, he served as a Supreme Court justice, as well as prime minister in President Kim Young Sam’s government. This was his second attempt at the presidency. His experience in the civil service and his predictable personality were considered political assets, though he appeared to be somewhat authoritarian. Regarding North Korea and the United States, the two candidates also differed.

Although Roh Moo Hyun had enjoyed widespread popularity among the younger generation until the spring of 2002, he subsequently was judged a long shot, due to President Kim Dae Jung’s declining popularity and the MDP’s falling ratings. Lee Hoi Chang, on the other hand, backed by the GNP’s long tradition as the ruling party, enjoyed widespread appeal. He mounted an attack on Roh Moo Hyun, labeling him a successor to President Kim Dae Jung’s corrupt administration. However, a poll conducted one day before the presidential campaign formally started showed Roh ahead of Lee, and he was able to maintain this lead until the election, winning by a 2.3 percent margin—48.9 percent to 46.6 percent.

Roh’s upset victory was partly due to the fact that he was able to present himself as a joint candidate with the endorsement of Chung Mong Joon, president of the South Korea Football Association, whose successful management of the 2002 FIFA World Cup gained him great respect and popularity. This fact fired the enthusiasm of voters in their 20s and 30s, a block that accounted for a majority of voters and one that is traditionally progressive. An overwhelming majority of them supported Roh and saw Lee as an authoritarian, old-school champion of vested interests.

Anti-American sentiments, stoked by the accidental deaths of two junior high school girls struck by a U.S. military vehicle, as well as the perception that the disparity of wealth had widened since the 1997 Asian crisis as a result of the government’s economic reforms, also contributed to the victory by Roh, who stressed the



necessity of reconsidering U.S.-ROK relations and economic structural reforms. Further, the Roh camp's savvy use of the Internet and media ads during his campaign greatly helped him win the hearts of young voters.

## **(2) The Sunshine Policy and External Relations**

Since taking office, President Kim Dae Jung had vigorously pursued his so-called Sunshine Policy, designed to cultivate a relationship of peaceful coexistence with North Korea using economic cooperation as a lever. Toward the end of his term, however, he emphasized the importance of the new administration sustaining the momentum he had built. Since November 2001, he had sought to resume the inter-Korean dialogue suspended by North Korea, reconnect the railroad systems of the two countries, and develop a previously agreed upon industrial park in the North.

President Kim Dae Jung believed that in order to preserve his Sunshine Policy, it was necessary to receive the cooperation and endorsement of (1) the United States, its alliance partner; (2) Japan, which, together with the United States and South Korea, constituted the framework of trilateral policy coordination; and (3) China and Russia, both geographically and politically close to the North. In an address on Armed Forces Day (October 1, 2002), President Kim Dae Jung stated that "the United States is our most important ally," and stressed the need for "close policy coordination with the United States and Japan" and the cooperation of the international community, including China and Russia. Though these countries supported his Sunshine Policy, there was some friction with the Bush administration.

As South Korea's ally, the United States deters North Korean aggression, and Seoul has maintained a close military relationship with Washington's war on terrorism by providing transport and medical logistical support. When President George W. Bush visited South Korea in February 2002, he confirmed the close relationship between the two countries. In an interview after meeting President

Bush, President Kim Dae Jung stressed that “the U.S. policy and the Korean policy are fundamentally similar and there were no major differences” regarding North Korea. President Bush said the United States has “no intention of attacking North Korea. . . . We, too, would be happy to have a dialogue with the North Koreans.” At the same time, he criticized North Korea, saying, “I am concerned about a country that is not transparent, that allows for starvation, that develops weapons of mass destruction.” While he officially endorsed President Kim’s Sunshine Policy, some members of his administration argued that the policy unilaterally gives economic benefits to the North without receiving anything in return.

Most of the younger generation is opposed to U.S. military presence in Korea. Adding fuel to the fire were the accidental deaths of the two junior high school girls previously mentioned, as well as the questionable disqualification of a South Korean skater at the Winter Olympics in Salt Lake City. There is also the widespread belief that the U.S. hard-line policy toward North Korea actually impedes exchanges between North and South. A concerned President Kim Dae Jung sought to defuse this mounting anti-Americanism by stressing the importance of the ROK-U.S. alliance for the stability of Northeast Asia, adding that U.S. forces should remain in the South even if the two countries were to reunify. However, anti-Americanism and demands for the withdrawal of U.S. forces are likely to continue in the coming years. In a statement delivered January 15, 2003, shortly before taking office, Roh Moo Hyun argued that the recent spate of anti-American demonstrations actually proved the need for South Korea to return to “reasonable relations” with the United States.

Thanks to successfully cohosting the World Cup with Japan in 2002, and to Japan’s initiative to resume normalization talks with North Korea, Japan-ROK relations have, by and large, been good. Prime Minister Junichiro Koizumi and President Kim Dae Jung agreed to deal with North Korea by holding frequent bilateral and multilateral meetings. Various Japan-ROK exchanges were re-

sumed after having been suspended by South Korea in 2001 to protest the way Japanese textbooks depicted the history of Japan-Korea relations. Regarding defense, following a visit of then Minister of State for Defense Gen Nakatani of Japan to South Korea in April 2002, Defense Minister Lee Jun of South Korea paid a return visit in November to meet the new minister of State for Defense, Shigeru Ishiba. In addition, Japan and South Korea carried out a joint maritime search-and-rescue exercise in September.

Trilateral policy cooperation—South Korea, the United States, and Japan—over North Korea continued in 2002. Since October, however, the three countries were faced with the question of how to deal with the North's development of nuclear weapons. When the three heads of state met at an APEC summit on October 26, they called upon North Korea to scrap its nuclear weapon project, and stressed the importance of resolving the issue by peaceful means (see Section 4, Chapter 1).

ROK-China relations have basically been good. At a summit in October, leaders of the two countries agreed to a nuclear-free Korean Peninsula. There have often been incidents involving North Korean asylum seekers seeking refuge in the embassies of South Korea—and other countries—in China. Although China refuses to recognize these North Korean defectors as refugees, it is presumed that Beijing agreed with Seoul to quietly send these defectors to South Korea.

In its relations with Russia, Defense Minister Lee Jun of South Korea visited Moscow in November to conclude an Agreement on Preventing Dangerous Military Activity. However, this is not to imply that a dangerous situation has emerged between South Korea and Russia; rather, the pact is a symbolic confidence-building measure. When Foreign Minister Igor Ivanov of Russia visited South Korea, he met with Minister of Foreign Affairs and Trade Choi Sung Hong to discuss linking the Trans-Korea Railway with the Trans-Siberian Railway. As we shall see later, the North and South agreed to reconnect their railway systems within a year, so

**Reference**

**President Roh's Ideas about South Korea's Policies vis-à-vis the United States and North Korea**

The outcome of the upcoming presidential election will have serious implications for the Korean Peninsula and world history, in that, depending on who wins, peace between the North and the South will take hold, or the Cold War of the past will be prolonged.

Despite changes in the world since the September 11 terrorist attacks, and the crisis sparked by North Korea's development of nuclear weapons, I believe we must be committed to peace on the Korean Peninsula, and I have a vision and the ability to realize it.

Relations with traditionally friendly countries must be strengthened, particularly the United States, since it is an indispensable ally for our security. In the past, the ROK-U.S. alliance provided an important security environment for rapid economic growth in South Korea, and will perform an important role in building a coexisting relationship between the North and the South.

By building on the 50-year alliance between the Republic of Korea and the United States, and by making adjustments to the post-Cold War era, ROK-U.S. relations should be promoted from now on in a horizontally balanced manner. Only by adapting to the current of the times can the ROK-U.S. alliance be stabilized.

If I am elected president, I will meet with President Bush of the United States, confirm the alliance between our two countries, and make the discussion of North Korea's nuclear weapons top priority.

The development of nuclear weapons by North Korea is clearly in violation of the Geneva Agreement (the Agreed Framework) and the North-South Declaration (Joint Declaration Concerning Denuclearization of the Korean Peninsula). I want to take this opportunity to tell the leadership of North Korea in no equivocal terms that nuclear weapons and weapons of mass destruction will not guarantee North Korea's safety.

North Korea must suspend its nuclear development program at the earliest possible date. This is the only way for North Korea to inspire the confidence of the international community in it and to succeed in its economic reforms and climb out of diplomatic isolation.

**President Roh Moo Hyun** (Kyodo Photo)

Source: Speech at the Foreign Correspondents' Club in Seoul. (December 4, 2002)

that the main interest in South Korea concerning Russia was now focused on the railroad.

**(3) President Roh's Policy toward North Korea  
and Other Countries**

During the presidential campaign, candidate Roh Moo Hyun said he would continue to pursue his predecessor's Sunshine Policy and seek to improve relations with the United States as "equal partners." However, confronted with mounting tension over North Korea's nuclear weapons immediately after taking office, he was forced to turn his attention to the North and persuade it, in concert with the United States, to abandon its nuclear development program. Consequently, he has had to develop a closer cooperative relationship with the United States vis-à-vis the North, while at the same time trying to claim an "equal partners" footing.

The following three points best summarize Roh's foreign policy campaign promises: (1) to further develop and nurture President Kim Dae Jung's Sunshine Policy with North Korea. Roh cited the summit with North Korea, the temporary reunion of separated families, and economic cooperation with the North—such as reconnecting the railway systems—as significant achievements of this policy, awarding it high marks for strengthening the foundation of reconciliation and cooperation between the two Koreas; (2) to develop "a horizontal relationship" with the United States, and transform it into one that coaxes North Korea out of its "Cold War mentality" from one that simply serves as a deterrent vis-à-vis the North; and (3) to develop and deepen cooperative relationships with the rest of Northeast Asia. Roh promised to create a "Northeast Asia consultative body" with the participation of North and South Korea, Japan, the United States, China, and Russia, and to develop the two Koreas into a strong regional distribution center by stepping up economic exchanges between them.

Lee Hoi Chang took issue with Roh on points one and two, arguing that under the Sunshine Policy, President Kim Dae Jung uni-

laterally gave “alms” to North Korea without reaping any security benefits, and pledged that he would only deal with North Korea on the basis of reciprocity. Lee also charged that the Sunshine Policy had sowed discord between South Korea and the United States, and asserted that he would strengthen this alliance.

During the campaign, two more factors were added to the mix: the mounting anti-Americanism in South Korea and the deepening North Korean nuclear weapon crisis. Protests erupted in South Korea over the deaths of the two schoolgirls, and large-scale demonstrations demanded that the Status of Forces Agreement (SOFA) with the United States be amended. It was widely thought that the chances of Lee Hoi Chang—considered pro-American—would be hurt by this wave of ill will toward the United States.

The discovery of North Korea’s illicit nuclear weapons program, however, was expected to produce the opposite effect. If the old political sentiments had held sway, the North Korean nuclear issue would have worked to the advantage of Lee Hoi Chang, a hard-liner toward the North. Confronted with the mounting tension with North Korea, Lee increased his criticism of the Sunshine Policy, maintaining the necessity of further pressuring North Korea in concert with the United States. In response, Roh argued that pressuring North Korea too much could trigger a war, and that the United States should be persuaded to soften its policy toward the North so that the North would abandon its nuclear weapons program.

On the day before the election, the U.S. and Spanish navies boarded and searched a North Korean vessel off the coast of Yemen, and North Korea announced that it had ended the International Atomic Energy Agency (IAEA)-imposed freeze on its nuclear facilities. Despite all these potentially dangerous and unfavorable developments, however, Roh defeated Lee by a margin of only 2.3 percentage points, indicating that South Korean voters were not as sensitive to the North Korean threat as before. Rather, they tended to oppose, even more than before, U.S. policy toward both Koreas.

**Table 5-2. Major Events in South Korean Foreign Policy (2002)**

Jan.	7	President Kim Dae Jung of South Korea talks by phone with Prime Minister Junichiro Koizumi of Japan.
Jan.	20	Foreign Affairs and Trade Minister Han Seung Soo of South Korea visits Japan to attend the International Conference on Reconstruction Assistance to Afghanistan (21-23).
Jan.	24	A meeting of the Trilateral Coordination and Oversight Group (TCOG) is held in Seoul (24-25).
Feb.	1	Foreign Affairs and Trade Minister Han Seung Soo meets with U.S. Secretary of State Colin Powell in New York.
Feb.	4	Choi Sung Hong is appointed to Minister of Foreign Affairs and Trade of South Korea.
Feb.	19	President George W. Bush visits South Korea (19-21).
Mar.	8	Foreign Affairs and Trade Minister Choi Sung Hong visits Tokyo and meets with Foreign Minister Yoriko Kawaguchi of Japan.
Mar.	21	Prime Minister Koizumi visits South Korea (21-23), and witnesses with President Kim Dae Jung the signing ceremony of the Japan-ROK Investment Agreement.
Mar.	28	Foreign Affairs and Trade Minister Choi Sung Hong visits China (28-29).
Apr.	8	A meeting of the TCOG is held in Tokyo (8-9).
Apr.	16	Foreign Affairs and Trade Minister Choi Sung Hong visits Washington (16-19) and meets with Secretary of State Colin Powell.
May	31	Prime Minister Koizumi visits South Korea (May 31-Jun. 1) to attend the opening ceremony of the 2002 FIFA World Cup, cohosted by Japan and South Korea.
Jun.	17	A meeting of the TCOG is held in San Francisco (17-18).
Jun.	30	President Kim Dae Jung visits Japan (Jun. 30-Jul. 2) to attend the closing ceremony of the 2002 FIFA World Cup.
Jul.	12	Foreign Minister Kawaguchi visits South Korea (12-14), and meets with Foreign Affairs and Trade Minister Choi Sung Hong.
Jul.	26	Foreign Minister Igor Ivanov of Russia visits South Korea (26-28), and meets with his South Korean counterpart, Choi Sung Hong.
Jul.	30	A foreign ministers meeting of ASEAN+3 (Japan, China, and South Korea) in Bandar Seri Begawan.
Jul.	30	Foreign Affairs and Trade Minister Choi Sung Hong meets with Foreign Minister Ivanov of Russia in Bandar Seri Begawan.
Jul.	31	Foreign Affairs and Trade Minister Choi, attending a meeting of the ARF, meets with U.S. Secretary of State Colin Powell in Bandar Seri Begawan.
Aug.	1	Foreign Affairs and Trade Minister Choi meets with Foreign Minister Kawaguchi of Japan in Bandar Seri Begawan.
Aug.	2	Foreign Minister Tang Jia Xuan of China visits South Korea (2-3).
Aug.	12	Foreign Affairs and Trade Minister Choi of South Korea meets with his Japanese counterpart Kawaguchi in Tokyo.
Aug.	24	The tenth anniversary of the establishment of diplomatic relations with China.
Sep.	3	Foreign Affairs and Trade Minister Choi of South Korea meets with his Japanese counterpart Kawaguchi in Johannesburg.

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- Sep. 6 A meeting of the TCOG is held in Seoul (6-7).
- Sep. 15 Foreign Affairs and Trade Minister Choi meets with his Japanese counterpart Kawaguchi in New York.
- Sep. 22 President Kim Dae Jung attends a summit of the Asia-Europe Meeting (ASEM) (22-24) in Copenhagen. During the summit, he meets with Prime Minister Koizumi.
- Oct. 5 U.S. Assistant Secretary of State James Kelly visits South Korea and briefs on his meeting with North Korean officials.
- Oct. 26 President Kim Dae Jung attends an APEC summit in Los Cabos, Mexico (26-27).
- Nov. 4 Prime Minister Kim Suk Soo of South Korea attends an ASEAN+3 prime ministers meeting in Phnom Penh, Cambodia.
- Nov. 8 A meeting of the TCOG is held in Tokyo (8-9).
- Nov. 10 Foreign Minister Yoriko Kawaguchi of Japan visits South Korea .

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*Sources:* Compiled from the websites of South Korea's Ministry of Foreign Affairs and Trade, and Japan's Ministry of Foreign Affairs.

Immediately following his victory, on December 20, 2002, Roh declared that his foreign policy would not significantly change from that of his predecessor. To solve the nuclear problem in North Korea, he announced a policy aimed: (1) at solving the problem through peaceful means; (2) at South Korea taking a leading role; and (3) at promoting cooperation with the United States and Japan. On the Status of Forces Agreement issue, he vowed to convey the earnest wish of the Korean people to the United States. Even before taking office, his administration had begun the process of simultaneously adjusting its policies toward the United States and North Korea.

Basically, the Roh administration needs the cooperation and understanding of Japan, China, and Russia in order to smoothly carry out its policies toward the United States and North Korea. However, younger members of his administration are known to take a critical view of the Japanese government's take on the history of Korea-Japan relations, raising the possibility of conflict flaring up again over this issue. Further, President Roh's friendly approaches to China and Russia have ramifications that may undermine the ROK-U.S. alliance, possibly creating discord between the two countries.



## **2. The Launching of “Economic Reforms”— North Korea**

### **(1) Changes in the Centrally Controlled Economy**

Using phrases like “building a powerful nation” and “army-first policy,” Chairman Kim Jong Il of the National Defense Commission has maintained a harsh, militaristic rule over his people, often employing the tactic of “on-the-spot guidance” to tighten his control by personally visiting army units and businesses, and neither this pattern of behavior nor the makeup of his entourage has changed significantly.

Yet economic difficulties and food shortages continue. According to reports released in October 2002 by the United Nations Food and Agricultural Organization (FAO) and the World Food Program (WFP), North Korean agricultural production has increased only marginally in the past few years, and the nation is approximately one million tons short of grain per year. The WFP estimates that 6.4 million people in North Korea need food aid, and the North’s prospects of securing about 560,000 tons in aid and through long-term deferred payment schemes is still far from certain.

A considerable number of North Koreans have fled to China and Russia, with some traveling between North Korea and China, all in search of food and freedom. In 2002, the number of asylum seekers from the North, who sought refuge in foreign embassies in China to reach the South, sharply increased. Helped by Western aid groups, they totaled 1,141 in 2002—up from 148 in 1999, 312 in 2000, and 583 in 2001. North Koreans who legally or illegally visit China or other foreign countries bring back information about the economic development of China and South Korea. It is likely, therefore, that common people in the North are no longer as loyal to the Kim Jong Il regime as they once were.

Although a number of Western press reports stated that North Korea had launched “economic reforms” in July 2002, North Korean authorities prefer to call them “new steps in economic man-

agement.” The *Choson Sinbo* (*Korean News*), an organ of the General Association of Korean Residents in Japan (Chongryon), and the *Huanqiu Shibao* (*The Global Times*, a weekly published by *People’s Daily* of China), subsequently carried articles describing the nature and scope of these reforms. According to these reports, North Korean steps included: (1) abolition of the ration system (except for grains); (2) a hike in the official price for rice and other necessities, and a wage increase; (3) lowering of the official exchange rate of the North Korean won; (4) strict enforcement of the self-supporting system for business enterprises; (5) introduction of a performance-based compensation system for workers; and (6) collection of rent and utility charges from residents. Of the above, the revisions to the rice price and the won exchange rate involved bringing them into line with prevailing black market rates.

It is believed that these measures, at their current stage, were taken within the framework of a planned economy. If the government allows private citizens to run family farms, or if it encourages the development of private enterprise in the commercial and industrial fields, it may conceivably introduce, in effect, capitalism under the control of the Communist Party, as China and Vietnam have done. Yet there still remains the possibility—as in the former Soviet Union—that the centrally controlled economy will collapse, causing cracks in Chairman Kim’s one-party dictatorship. As noted earlier, given the information brought back to North Korea by those who travel back and forth between North Korea and northeastern China, such a possibility becomes more likely. If the North Korean authorities sense that the regime is in danger of collapse, then reforms may be put back on the back burner or shelved before they have any chance of being implemented. Such is the critical crossroads at which North Korea now stands.

In addition to these reforms, North Korea has been actively trying to lure foreign investment, including investment from the South. In September 2002, North Korea designated Sinuiju, an industrial city bordering the Yalu River between China and North

**Table 5-3. North Korea's Policy toward South Korea, the United States and Other Countries**

<b>2001</b>			
Dec.	29	U.S.A	The U.S. State Department announces that it will ship 105,000 tons of grain in food aid to North Korea through the World Food Program (WFP).
<b>2002</b>			
Jan.	23	S. Korea	The South Korean government announces that it will invest official funds in the Mt. Kumgang tourism project.
Jan.	29	U.S.A.	U.S. President George W. Bush calls North Korea a member of the "axis of evil."
Feb.	11	Others	Kim Jong Il meets Russian Presidential Emissary Konstantin Pulikovsky in Pyongyang.
Feb.	20	U.S.A.	After speaking to South Korean President Kim Dae Jung in Seoul, U.S. President Bush announces that "the United States has no intention to attack North Korea."
Mar.	14	Others	North Korean nationals bolt into the Spanish embassy compound in Beijing.
Mar.	20	U.S.A.	White House spokesman Ari Fleischer declares that the U.S. government will not vouch that North Korea is abiding by the Agreed Framework.
Mar.	29	Others	Kim Jong Il meets with President Megawati Soekarnoputri of Indonesia in Pyongyang.
Apr.	3	S. Korea	Special Envoy Lim Dong Won of President Kim Dae Jung visits Pyongyang (3-6).
Apr.	24	Others	Kim Jong Il meets Russian Presidential Emissary Konstantin Pulikovsky in Pyongyang.
May	6	S. Korea	North Korea refuses to attend the second meeting of the Committee for the Promotion of North-South Economic Cooperation set for May 7 in Seoul.
May	8	Others	North Koreans who tried to bolt into Japan's consulate general in Shenyang are arrested by Chinese authorities.
May	9	Others	Kim Jong Il meets with a delegation of the Chinese Communist Party .
May	13	S. Korea	Kim Jong Il meets with Assemblywoman Park Geun Hae of South Korea in Pyongyang.
May	21	Others	North Korean Foreign Minister Paek Nam Sun meets with his Russian counterpart Igor Ivanov in Moscow.
Jun.	2	Others	Kim Jong Il meets with a delegation of the Far Eastern Military District of the Russian Federation in Pyongyang.
Jun.	29	S. Korea	Navy vessels from North and South Korea exchange fire in the Yellow Sea.
Jun.	30	S. Korea	The chairman of the North Korean Football Association sends a letter congratulating the South Korean Football Association on its success in the 2002 FIFA World Cup.
Jul.	2	U.S.A.	U.S. State Department announces the cancellation of a trip its

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- delegation planned to make to Pyongyang on July 10.
- Jul. 25 S. Korea Chief Delegate Kim Ryong Song of North Korea attending an Inter-Korean Ministerial Meeting expresses "regret" to his South Korean counterpart Jeong Se Hyun about having exchanged fire with South Korean navy vessels in the Yellow Sea.
  - Jul. 28 Others Kim Jong Il meets with Foreign Minister Ivanov of Russia in Pyongyang.
  - Jul. 31 U.S.A. U.S. Secretary of States Colin Powell has contacts with North Korean Foreign Minister Paek Nam Soon in Bandar Seri Begawan, Brunei.
  - Aug. 7 Others Korean Energy Development Organization (KEDO) holds a ceremony of pouring concrete into the foundation of a light-water nuclear reactor in Kumho, North Korea.
  - Aug. 12 S. Korea The 7th Ministerial Meeting is held in Seoul (12-14).
  - Aug. 23 Others Kim Jong Il meets with President Vladimir Putin of Russia in Vladivostok.
  - Aug. 27 S. Korea The 2nd meeting of the Committee for the Promotion of North-South Economic Cooperation is held in Seoul (27-30).
  - Sep. 17 Others Prime Minister Junichiro Koizumi of Japan visits Pyongyang.
  - Sep. 18 S. Korea A ceremony is held to mark the beginning of work to reconnect the railway and highway systems of the two Koreas.
  - Sep. 29 S. Korea A North Korean team participates in the Asian Games.
  - Oct. 3 U.S.A. Assistant Secretary of State James Kelly visits North Korea (3-5).
  - Oct. 16 U.S.A. The U.S. State Department announces that North Korea admitted to having carried out a nuclear weapons development program.
  - Oct. 19 S. Korea The 8th Inter-Korean Ministerial Meeting is held in Pyongyang (19-22).
  - Oct. 26 S. Korea A North Korean economic study group visits the South (Oct. 26-Nov. 16).
  - Oct. 29 Others Japan-North Korea diplomatic normalization talks are held in Kuala Lumpur.
  - Nov. 6 S. Korea The 3rd meeting of the Committee for the Promotion of North-South Economic Cooperation is held in Pyongyang (6-9).
  - Nov. 14 U.S.A. The executive board of the KEDO decides to suspend oil shipments to North Korea.

*Sources:* Compiled from *RP Kita-Chosen Seisaku Doko* (Radio Press, *Trends on North Korea's Policy*), website of the U.S. State Department, and reports from news media.

Korea, as a "Special Administrative Region," and in November it designated Kaesong, an industrial city near the military border with the South, as the Kaesong "Industrial Zone." According to the regulations, South Koreans and foreigners are authorized to do business in these regions. And in November 2002, North Korea

designated Mt. Kumgang, a scenic site open to South Koreans since 1999, as the Mt. Kumgang "Tourist Zone."

The appointment of Bin Yang—Chinese by birth and Dutch by naturalization—as the first governor of the Sinuiju Special Administrative Region, surprised the entire world. On October 1, when Governor Bin Yang allowed foreigners without a visa to enter Sinuiju, Chinese authorities refused to let foreign newsmen leave Dandong (China) for Sinuiju, and took Governor Yang into custody on charges of tax evasion. It was reported that China was miffed that North Korea had opened Sinuiju—a city bordering China—to foreign commerce, and that Chairman Kim Jong Il had approached Russia without first consulting China.

Given that the Sinuiju Special Administrative Region got off to an inauspicious start, the industrial revitalization of both Sinuiju and Kaesong cities is expected to be rough going. Official development assistance and private investment from other countries are indispensable for bringing about the industrialization. This is all the more reason why North Korea must solve its outstanding problems—including the nuclear weapons issue and the abduction of Japanese nationals—and win the confidence of the international community.

## **(2) Testing Times for Diplomacy**

Since 1990, North Korea has attached top foreign policy priority to direct negotiations with the United States, fearing that the latter might launch an attack to topple the Kim Jong Il regime. While trying to maintain and strengthen its military to cope with the U.S. "suffocation strategy," North Korea has been able to extract economic concessions from the United States while demanding the creation of a peace-assurance framework.

In response, the Bush administration has focused on North Korea's development of weapons of mass destruction, its conventional military, and humanitarian and human rights issues, demanding that North Korea improve these problems first.

Under the Agreed Framework signed by the United States and North Korea in 1994, the Korean Peninsula Energy Development Organization (KEDO) was obligated to deliver light-water reactors by 2003, but the reactors weren't completed in time, thereby providing the North a reason to demand compensation from the United States. In addition to flatly refusing this demand, the United States called upon North Korea to immediately allow an inspection by the IAEA. In January 2002, President Bush declared that "the United States of America will not permit the world's most dangerous regimes to threaten us with the world's most destructive weapons," arguing that the United States retains the right to a pre-emptive strike as a matter of self-defense, thus causing great concern in North Korea.

It appears that North Korea was not prepared to deal with the Bush administration's position. Although the United States proposed, through the North Korean Mission in the United Nations, to send a special envoy to Pyongyang to explain its Korea policy, North Korea's response was unclear. When an armed clash broke out in the Yellow Sea between North and South Korean naval vessels, the United States announced on July 2 that it would postpone sending the delegation to Pyongyang.

Belated though it was, North Korea seems to have made up its mind to resume talks with the United States, as well as normalization talks with Japan. It expressed regret over the "unforeseen armed clash that occurred in the West (Yellow) Sea," and on July 26 said it would receive the U.S. special envoy. During the ministerial meeting of the 9th ASEAN Regional Forum (ARF) held in Bandar Seri Begawan, Brunei, on July 31, North Korean Foreign Minister Paek Nam Sun briefly met U.S. Secretary of State Colin Powell. This was the first meeting between the two foreign ministers since President Bush took office.

Early in October, Assistant Secretary of State James Kelly finally visited Pyongyang, the first high-ranking U.S. official to do so since Secretary of State Madeleine Albright visited the North in

October 2002 during the tenure of the Clinton administration. Kelly pointedly asked if North Korea was carrying out a uranium enrichment program (see Section 2, Chapter 1), and made it clear that unless North Korea gave up its development or possession of nuclear weapons and other weapons of mass destruction, relations with the United States would not improve. As a result, normalization talks with Japan hit a snag, and North Korea came under fire from many countries.

China provides aid to North Korea and has traditionally been its closest ally. However, signs of bad blood between the two nations began appearing in 2002: in October, Chinese President Jiang Zemin asked North Korea to denuclearize the Korean Peninsula, and Chinese authorities arrested Governor Bin Yang of the Sinuiju Special Administrative Region.

On the other hand, the North's relations with Russia have grown closer. Following a Moscow visit in 2001, Chairman Kim Jong Il met President Vladimir Putin in Vladivostok in August 2002. Russia wants to participate in a project to reconnect the railway systems of the two Koreas, as well as to sell weapons to North Korea, so it arranged for Chairman Kim Jong Il to tour an airplane factory and shipyard. Despite these friendly gestures, though, Russia opposes the North's nuclear weapon program.

North Korea has been angling for economic assistance by establishing diplomatic relations with Japan, but normalization talks hit a serious snag from the problem of abducted Japanese nationals. North Korea wanted to work on various outstanding bilateral problems, and invited Prime Minister Koizumi to a summit in September 2002. However, the official North Korean admission of having abducted Japanese nationals, and the revelation of its nuclear weapons program shocked the Japanese and created ill will toward the North. Unless North Korea comes to grips with these problems, progress to normalize diplomatic relations with Japan will be slow.

### **3. The Lines of Economic Cooperation Take Hold— North-South Relations**

#### **(1) Dialogues Repeated but Stalled**

Since the 6th Inter-Korean Ministerial Talks in Mt. Kumgang in mid-November 2001 broke down, relations between the two Koreas have stagnated. A week or so later, a skirmish occurred in the demilitarized zone (DMZ), and North Korea rejected the South's proposal to resume talks, partly because of the smaller than expected amount of economic assistance it received. North Korea blamed the breakdown of these talks on Unification Minister Hong Sun Yong and demanded his dismissal.

Although it did not directly say it was responding to a request from the North, the South Korean government announced on December 21 its plan to ship 100,000 tons of corn to North Korea through the World Food Program (WFP). In January 23, 2002, South Korea took steps to reactivate the Mt. Kumgang tourism business, one that had become a source of badly needed funds for the North. And on November 29, President Kim Dae Jung replaced Unification Minister Hong Sun Yong with former vice minister Jeong Se Hyun.

On March 25, 2002, both governments announced that Lim Dong Won, Special Assistant to the President for Foreign Affairs, Security and Unification, would visit Pyongyang as a special envoy of President Kim Dae Jung. On March 30, President Megawati Soekarnoputri of Indonesia sent President Kim Dae Jung a message stating that Chairman Kim Jong Il hoped to initiate a dialogue with him. Following Special Envoy Lim Dong Won's meeting with Chairman Kim Jong Il and Secretary Kim Yong Sun of the Workers' Party of Korea, it was announced that both sides would resume their dialogue and economic cooperation.

However, the conciliatory mood did not last long, and during the last week in April, North Korea criticized the South, charging that during Foreign Minister Choi Sung Hong's recent visit to



Washington, he remarked that the Bush administration's hard-line policy had benefited North-South relations. (In response, the South Korean government denied this allegation.) The *Rodong Sinmun* demanded the "removal" of Foreign Minister Choi Sung Hong, and objected to the South's continuous referral to North Korea as "the main enemy." On May 6, by reason of Foreign Minister Choi Sun Hong's remarks in Washington, North Korea notified the South of its decision to suspend the Committee for the Promotion of North-South Economic Cooperation meeting. On June 29, North and South Korean naval vessels exchanged fire in the Yellow Sea, resulting in casualties on both sides, and each accused the other of initiating the skirmish.

Yet even in such an environment, North Korea still desired to continue people-to-people exchanges and economic projects with the South. Perhaps seeking to influence the South's presidential election, North Korea invited Assemblywoman Park Geun Hae, who had left the Grand National Party, to visit Pyongyang. However, North Korea did not push the railway linkup project, which required consultations between the relevant authorities in the North and the South.

## **(2) Linking Railways, Highways**

Immediately after the Yellow Sea clash—despite fears of mounting tension—North Korean Football Association Chairman Ri Gwang Gun sent a congratulatory letter to his South Korean counterpart, Chung Mong Joon, for South Korea's success in the World Cup, and in the middle of July North Korean Foreign Minister Paek Nam Sun indicated he would attend the upcoming ARF meeting. On July 25, Kim Ryong Song, head of the North Korean delegation to the Inter-Korean Ministerial Talks, called his South Korean counterpart, Jeong Se Hyun, and expressed his "regret" over the Yellow Sea incident, proposing to establish working-level contact in order to resume ministerial talks. South Korea agreed to have a working-level meeting at Mt. Kumgang on August 2-4, and both sides decid-

ed to hold the 7th Inter-Korean Ministerial Talks in Seoul from August 12-14.

At these ministerial talks, both sides supposedly agreed that their military leaders would meet soon to discuss military support for reconnecting inter-Korean railways and highways. (According to a South Korean press release, "military authorities from both sides will meet at an early date." However, the North Korean press release said that "each side will recommend that its military authorities meet at an early date," suggesting that the North's military had yet to agree.) At the 2nd vice-ministers meeting of the Committee for the Promotion of Inter-Korean Economic Cooperation, August 28-30 in Seoul (the first meeting was held in December 2000), both sides agreed, in principle, to begin work to reconnect the railways and highways. On September 14, a bilateral meeting of military leaders was held for the first time since February 2001, and agreed on procedures for removing land mines from construction areas. The groundbreaking ceremony on September 18 marked the first tangible result to have emerged from the agreement signed two years earlier.

In parallel with this cooperative project, various exchanges occurred that suggested a thawing of relations. These included a North-South soccer friendly in Seoul; visits by a taekwondo martial art team and a symphony orchestra to North Korea; and North Korean athletes participating in the Asian Games in Busan. A "supporters' group of North Korean beauties" who cheered on their country at the Asian Games proved particularly popular with South Korean spectators. All this encouraged South Koreans to feel a sense of affinity with North Korea, a nation that was supposed to be their country's "main enemy."

Despite this growing warmth, a dark cloud suddenly appeared on the horizon when the North's uranium enrichment program was revealed. The South's response was unequivocal: it vowed to deal with North Korea's nuclear program in concert with Japan, the United States, and the international community. At the 8th Inter-

Korean Ministerial Talks at Mt.Kumgang on October 19-22, it demanded that North Korea abandon the nuclear problem.

South Korea reaffirmed its position that the North not be isolated and driven into a corner. Previously, when former presidents Roh Tae Woo and Kim Young Sam had called upon North Korea to solve the nuclear problem, North Korea responded by cutting off the dialogue. This time, however, it maintained contact with the South. In late October, North Korea sent an economic study group—including Jang Song Thaek, First Vice Department Director of the Workers' Party of Korea and Chairman Kim's brother-in-law. In mid-November, North Korea refused to let U.N. Command personnel verify the removal of land mines for the railway and highway construction projects. Although it was initially feared that North Korea might use this as a means to draw the United States into a direct dialogue, the verification work soon resumed. Also during this period, North Korea designated Kaesong as an "industrial zone," a city through which a main highway runs, hoping to solicit foreign investment.

The North's decision to continue the railroad and highway projects may be seen as a sign of its determination to reduce tension. It opens up—even if only partially—the DMZ, thereby allowing for military-to-military contact, and necessitates the creation of a hotline between the North and South. Yet skeptics might argue that North Korea merely considers the projects a way to earn hard currency, and that it may arbitrarily suspend the work at any time for political leverage against the South. Only time will tell the North's true intentions.

The North's pressing need for economic assistance, along with the stance taken by the United States, seem to lie behind the North's changed policies. Based on past examples, North Korea has tried to engage the United States in a direct dialogue by engineering a crisis. However, the Bush administration canceled sending a special envoy to North Korea as a result of the Yellow Sea incident. Furthermore, when the North's illicit uranium enrichment pro-

gram came to light, the United States demanded that North Korea solve these outstanding problems before it would consider a bilateral dialogue. It appears that North Korea wanted to ease U.S. pressure by promoting cooperation with South Korea, hoping this would pave the way for resuming talks with the United States. Finally, by creating the appearance of reconciliation between the North and the South, perhaps North Korea's softening was merely a calculated move to help Roh Moo Hyun, a pro-Sunshine Policy candidate, win the election.

#### **4. The Military Situation**

##### **(1) South Korea's Active Military Buildup**

South Korea has been pressing ahead with a substantial military buildup program, only letting up briefly during the Asian crisis. However, it has not specifically described the nature of its perceived security threat.

Despite the North remaining South Korea's biggest threat, opinions are divided over the actual degree this threat represents. In April 2002, it was reported that South Korea's Ministry of National Defense (MND) might delete a passage from its White Paper that labeled North Korea as the South's "the main enemy," but the ministry denied the report. In the end, the White Paper was shelved altogether, possibly because a consensus could not be reached over this controversial phrase.

Assemblyman Chung Mong Joon, a 2002 presidential contender, criticized the failure to publish a White Paper at the end of September when his popularity among the nation's youth was riding high. Concerning perceptions of North Korea, he adopted a delicate position, commenting that while it was proper to characterize North Korea as "a potential enemy" rather than "the main enemy," the South Korean government should not simply follow North Korea's demands in such matters. Lee Hoi Chang, the mainstream conservative candidate, called North Korea "our main enemy, but

**Table 5-4. South Korean Military Movements****2001**

- Dec. 1 Defense Minister Kim Dong Shin visits China (1-19)
- Dec. 18 A ceremony is held to mark the creation of an antiterrorist support unit, composed of personnel of the three services: a 90-man army medical support unit, one 4,300 ton-class landing craft (163 men), and four C-130 transports (76 men).
- Dec. 19 Defense Minister Kim Dong Shin visits Vietnam (19-21).
- Dec. 31 The Ministry of National Defense publishes the Defense Data and Statistics 2001.

**2002**

- Jan. 4 The Ministry of National Defense announces it has introduced its first surface-to-surface missiles with a range of 300km (U.S.-made).
- Jan. 31 The Armed Forces' NBC (Nuclear, Biological and Chemical) Command was founded.
- Feb. 4 Japan-ROK Security Dialogue resumes after fourteen months.
- Feb. 8 U.S. forces and the South Korean government produce a joint statement on the relocation of Youngsan Base, and construction of housing units.
- Feb. 14 The Ministry of National Defense announces "03-07 Mid-term Defense Program."
- Mar. 11 An ROK Air Force colonel's remark sparks suspicion that the United States pressured South Korea to select the F-X aircraft.
- Mar. 21 South Korea conducts a Reception Staging Onward Movement & Integration(RSOI) (21-27).
- Apr. 4 A U.S.-ROK Special Measures Agreement(SMA) is concluded, the ROK agreeing to bear about 610 billion won in fiscal 2002 for expenses of the United States Forces Korea.
- Apr. 17 Lee Nam Shin, Chairman of the Joint Chiefs of Staff of South Korea, visits Europe to survey RMA movement (17-26).
- Apr. 19 The South Korean government selects the F-15K as its next-generation mainstay fighter.
- Apr. 20 Japanese Defense Minister Gen Nakatani visits South Korea (20-21).
- Apr. 22 The ROK Navy takes part in PACIFIC REACH 2002, in Sasebo, Japan.
- Apr. 29 The Ministry of National Defense denies a newspaper report that the term "main enemy" will be deleted from its White Paper.
- Apr. 29 Training vessels from the Japan's Maritime Self-Defense Force enters Busan port.
- Apr. 30 Defense Minister Kim Dong Shin meets Chairman Richard Myers of the U.S. Joint Chiefs of Staff.
- May 8 Chinese naval vessels enter a South Korean port for the first time.
- May 10 The ROK Navy denies the connection of its KDX-III program to missile defense.
- May 13 Japan, South Korea, and the United States hold working-level consultations.
- May 21 The Ministry of National Defense announces its agreement with Boeing to a \$239 million price cut for its purchase of 40 F-15Ks worth a total of

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- \$4.228 billion.
- May 22 South Korea launches its first KDX-II class destroyer, *Lee Soon Shin*.
  - Jun. 13 A U.S. Army vehicle accidentally runs over two junior high school girls.
  - Jun. 25 The ROK Navy participates in a RIMPAC 2002 exercise (Jun. 25-Jul. 23).
  - Jun. 29 Vessels of the North and South clash off the Yellow Sea coast NLL.
  - Jul. 10 The Ministry of National Defense of South Korea holds successive meetings of the Joint Committee on Defense Industry and Logistics with Indonesia, Malaysia, and Singapore. (10-20)
  - Jul. 23 The first general-level Chinese military delegation visits South Korea.
  - Jul. 24 The Ministry of National Defense formally announces the introduction of the Aegis system.
  - Aug. 5 The ROK-Australia Defense Industry Cooperation Conference takes place.
  - Aug. 19 South Korea starts the Ulchi Focus Lens exercise (19-30).
  - Aug. 23 The ROK Air Force and Korea Aerospace Industry announce the successful test flight of the T-50.
  - Aug. 26 The 8th ROK-Thailand Logistical Cooperation Meeting is held to discuss mutual cooperation for the development of the defense industry.
  - Aug. 30 President Kim Dae Jung instructs the Ministry of National Defense to raise its rate of increase for defense spending to compensate for the slower growth caused by the financial crisis.
  - Sep. 8 The 7th ROK-Philippines Joint Committee on Defense Industry and Logistics discusses the possibility of South Korean firms participating in a Philippine project to remodel M113 armored vehicles.
  - Sep. 9 An ROK Airforce's CN-235 transport visit China for the first time.
  - Sep. 10 The Ministry of National Defense announces its policy to shorten/abolish the alternative military service system due to the country's falling birth rate in the 1980s.
  - Sep. 12 Japan and South Korea carry out joint SAR exercises.
  - Sep. 16 A report by the Ministry of National Defense at the National Defense Committee of the National Assembly announces construction of two 13,000-ton class amphibious vessels
  - Sep. 19 The ROK Army starts removing land mines to prepare for linking the Tonghae and Kyungui railway lines.
  - Sep. 30 The Chief of General Staff of the People's Liberation Army of China visits South Korea, the first ever (Sep. 30-Oct. 4).
  - Oct. 12 An ROK Navy training squadron participates in the International Fleet Review in commemoration of the 50th anniversary of the Maritime Self-Defense Force of Japan.
  - Oct. 21 Japanese C-1 transports of the Air Self-Defense Force visits South Korea for the first time.
  - Oct. 23 South Korea holds Joint Committee Meetings on Defense Industry and Logistics Cooperation with the United Kingdom and Israel.
  - Oct. 25 At the Inter-Korean Military Working-Level Talks, the two sides agree to hold an Inter-Korean Defense Ministerial Meeting in November.
  - Oct. 29 A Hwarang exercise is conducted (Oct. 29-Nov.2) that focuses on

- dealing with terrorist attacks on important facilities and urban infrastructure.
- Nov. 4 Lee Nam Shin, chairman of the Joint Chiefs of Staff of South Korea, visits Japan (4-7).
  - Nov. 6 The ROK Army conducts a Hokuk ("protect the nation") exercise (6-12).
  - Nov. 8 The National Assembly passes the FY2003 budget with 17.4264 trillion won for defense.
  - Nov. 10 Defense Minister Lee Jun visits Russia (10-13), and signs the Agreement on the Prevention of Dangerous Military Activity with Russia.
  - Nov. 13 A Ministry of National Defense spokesman is reported to have said that work to remove land mines in preparation for reconnecting the North-South rail systems had been suspended because North Korea refused to give the names of its inspectors to U.N. forces.
  - Nov. 14 Defense Minister Lee Jun visits Japan (14-16).
  - Nov. 18 A working-level meeting (18-20) discusses linking the railway and highway systems of the North and the South, and both sides agree on the method, procedure, and survey schedule.
  - Nov. 22 A U.S. military court finds two U.S. servicemen not guilty of killing two Korean junior high school girls in a traffic accident.
  - Nov. 24 The Ministry of National Defense announces that North Korea refused to admit the land mine removal verification team due to the intervention of U.N. forces.
  - Nov. 27 The Ministry of National Defense announces that the land mine removal operation will resume on Nov. 28.
  - Nov. 27 The Ministry of National Defense announces that the Inter-Korean Defense Ministerial Meeting may be canceled due to North Korea's lack of response.
  - Nov. 28 The Korea Aerospace Research Institute successfully tests its first domestically made rocket, the KSR-III.
  - Dec. 6 The U.S.-ROK Security Consultative Meeting (SCM) discusses the Status of Force Agreement (SOFA). A "Future of the Alliance Policy Initiative" is established, providing for research into U.S. force stationing in the post-reunification era.

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*Sources:* Compiled from the *Korea Defense Daily* by the Defense Media Agency of South Korea, websites of South Korea's Ministry of National Defense, army, navy, and air force, and Korean news media.

at the same time our partner in peace negotiations."

While such a perception has widened, the concept of "uncertain security threats" has spread as an alternative to the "North Korean security threat." This phrase refers to threats in general—not from the North—and, as such, provides South Korea with a justification for its military buildup. And the word "uncertain" covers diverse threats ranging from terrorism to those posed by neighboring countries.

Such a broad definition is designed to suit the unclear perception

of threats among the general population. For example, though South Koreans have begun to see China as an economic threat, few view it as a military one. Some military officers might have referred publicly to past frictions with China in the Yellow Sea, such as over oil drilling rights, but those who sympathized with such views were limited to those in the military and had no impact on the tone of the press. In any case, such skepticism tended to be drowned out by the remarkable progress South Korea has made in promoting military contacts with China, as a result of which, outright characterizations of China as a threat to South Korea's security have not surfaced in public debate—almost as if such remarks are taboo.

Japan's Self-Defense Forces (SDF) are often used as the benchmark for debates about equipment buildup. Except for the symbolic dispute over Takeshima Island in the Sea of Japan, the debate makes no mention of any specific aspect of the SDF as a threat. Putting aside the question of how the ROK MND views the SDF and Chinese forces, the general population does not think of Japan or China as a threat. Yet the need for buildup of military equipment is publicly debated among policy makers and media.

A subject that always commands interest is the buildup of a blue water navy. In a speech delivered in March 2001, President Kim Dae Jung stated that his administration was aiming to build a navy that “will defend the national interests in the five oceans and perform a role in defending world peace.” In 2002, South Korea launched its first 4,000-ton class KDX-II destroyer, christening it *Lee Soon Shin* after a 16th century Korean hero whose fleet de-

**A conceptual image of the Republic of Korea Navy (ROKN) amphibious vessel (LPX)** (Courtesy of Hanjin Heavy Industries)



feated Japanese in a sea battle. The KDX-II destroyer can carry two Lynx helicopters, the same type that the KDX-I carries.

In its report to the National Assembly, the MND announced that it would launch two am-

**The supersonic trainer T-50** (Courtesy of Korea Aerospace Industries)

phibious vessels (LPX) by 2010, to be built by Hanjin Heavy Industries with a standard displacement of 13,000 tons (a full-load displacement of 18,000 tons). Each is capable of carrying about ten helicopters, around 700 marines, and two Landing Craft Air Cushioned (LCAC). Its ability to convert into a light aircraft carrier is attracting the attention of other countries.

In South Korea, few have associated the planned 7,000-ton KDX-III destroyer with missile defense, as the KDX-III is expected to be a backbone of the blue water navy. However, adding the Aegis system to it will precede equipping it with the SM-2 Block IVA that has the capability of intercepting short-range ballistic missiles. This has sparked criticism about its possible link to missile defense. Yet since the South Korean government had refused to participate in joint missile defense research with the United States, it dropped the idea of introducing the SM-2 Block IVA, opting instead for the SM-2 Block IV with its limited capability to intercept ballistic missiles, leaving open the possibility that it may yet participate in missile defense in the future.

Even though the French fighter Rafale was one of the final candidates for the next-generation fighter planes program, in which 40 fighters will be procured by 2008, the South Korea government decided on the F-15Ks. It gave rise to charges that it had succumbed to U.S. pressure. When the Aegis system of the United States won out over the APAR multifunction radar of Thales Naval Nederland,

further criticism was heard that the South Korean weapon systems had been integrated into the U.S. missile defense system.

In a statement released for popular consumption, the South Korean government explained that the introduction of this military hardware was to provide against “uncertain security threats,” and gave the impression that the ultimate aim of the government was to develop Korean-made weapons systems. Hence there was widespread cynicism when people discovered that the government had ended up buying U.S. systems. For example, the K-1 tank that the Republic of Korea (ROK) Army had developed with technical help from General Dynamics Corporation of the United States was remodeled into a new tank called the “K1A1”—by replacing the 105mm rifled-gun with a 120mm smooth bore gun. The government then was able to claim that it had been developed by “converting a foreign technology used for the K-1 tank” into a new type using “purely domestic technology.” The Republic of Korea Air Force (ROKAF) had conducted a test flight of the supersonic trainer/light attacker T-50 (coded A-50 as a light attacker) that had been jointly developed with Lockheed Martin Aeronautics Company of the United States on the basis of technology acquired in the course of producing the F-16 under license. The ROKAF announced the test flight as “a shot signaling the entry of South Korea into the league of advanced aviation powers of the 21st century,” and said that it “paved the way for domestically producing a fighter plane in 2015.”

Aside from anti-Americanism, few people in South Korea were opposed to the concept of such a plan. Critics at large have attached importance not to whether or not an actual threat exists, but to the comparative strength of South Korean weapons system versus those of surrounding countries. For instance, even when people discussed the buildup of South Korea’s naval power without reference to China, or even when they noticed that the definition of “uncertain security threats” was excessively broad, few questioned the validity or the relevance of such arguments.

South Korea has been developing the technology to produce surface-to-surface missiles, pursuant to an agreement with the United States in 2001 allowing it to extend the range of these missiles. However, the government announced that it would purchase 110 American-made ATACMS block 1A missiles, with a range of 300 kilometers, under the Foreign Military Sales (FMS) Program of the United States. The government's first purchase of military equipment after the relaxation of restrictions came from the United States

There were few signs that South Korea was seriously concerned over the impact that its military buildup might have on regional security, and there were no concerned voices from its neighbors. However, as long as South Korea continues to increase its military hardware, its neighbors may eventually seek an explanation.

## **(2) South Korea's Weapons Export Drive**

South Korea's military buildup has caused more domestic problems than foreign. Financial restraints are a major problem in its equipment buildup drive. For example, the ROK Navy ordered from Hanjin Heavy Industries and Construction one 13,000-ton amphibious vessel for 325.77 billion won (approx. \$260 million), which is cheaper than the Japanese *Osumi*-class LST with a displacement of 8,900 tons.

Nevertheless, this rapid domestic buildup is a heavy financial burden for South Korea, and several newspapers have quoted ranking government officials who noted a shortage of funds for the F-X project. The South Korean government is trying to deal with this problem by shifting less urgent appropriations to the defense buildup program.

President Kim Dae Jung announced a plan to increase defense spending, on the grounds that defense spending increases had been excluded from general budget increases since the 1998 Asian crisis. More specifically, it held down the rate of increase in its budget proposal to a mere 1.9 percent over the preceding year to 111.7 tril-

lion won (\$89 billion), hoping to balance the budget for the first time in six years, but increased defense spending by 6.4 percent over the preceding year to 17.4 trillion won (\$14 billion).

Despite these budget increases, the MND does not think its demands have been adequately met. Initially, it asked for a 14.9 percent increase over the preceding year for the force improvement programs (such as the F-15K) to 6.3 trillion won (\$5 billion), or 34.1 percent of the total defense budget of 18.4 trillion won (\$15 billion). However, the increase was finally held down to 4.7 percent over the year before, or 5.7 trillion won (\$4.6 billion), or 32.9 percent of the total defense budget. According to Defense Minister Lee Jun, the 357.6 billion won (\$286 million) his ministry had sought to finance the introduction of KDX-IIIs was reduced by 16.4 billion won (\$13 million), and the 47.4 billion won (\$38 million) he wanted for the second phase of the program—to purchase P-3C patrol aircraft—was cut to 9 billion won (\$7 million). Due to these cuts, this equipment, which originally had been slated for introduction in 2008, will reportedly be delayed.

A defense budget's percentage of the country's gross domestic product (GDP) is often used in determining its amount. In South Korea's case, this has gradually decreased from 5.9% in 1980 to around 2.8% since fiscal 1999. In fiscal 2003, the MND asked to raise it above at least 3.0 percent (close to what it had been before the 1998 Asian crisis), citing this as the minimum for the country to deal with present and future security threats.

However, the ministry's request was denied, and the defense budget that was approved actually came to 2.7 percent of the GDP, causing Defense Minister Lee Jun to complain that it was "awfully inadequate." Assemblyman and former defense minister Chun Yong Teak of the MDP stated at the National Assembly that "maintaining the defense budget at 3 percent minimum is the consensus of assemblymen on both sides of the aisle." What divides them is not factional politics but differences in the priority given to the defense budget in relation with other items of government expenditures.

The need to ease financial burdens and to foster the development of its defense industry is responsible for South Korea's focus on exporting weapon systems. Korea Aerospace Industries (KAI) which develops and produces the T-50, plans to export at least 800 T-50s (an advanced trainer suitable for training F-22 and JSF pilots) worth about \$30 billion, and to capture 25 percent of the world market.

The Korea Aerospace Industry Association (whose president is Kil Hyung Bo, CEO of KAI) has cosponsored the Korea Air Show with the Korea Defense Industry Association and the ROKAF, and the shows held in 1996, 1998 and 2001 illustrate Korea's efforts to export its weapon systems. Korea Air Show 2003 will be held in Busan, with the T-50 expected to attract considerable international attention.

South Korea's determination to export its weapon systems can also be seen in overseas visits its navy has made in recent years. A training squadron of four vessels, including *Kwanggaeto the Great*, a 3,000-ton class domestically-built destroyer (KDX-I class), set sail from Chinhae in October 2002 and called at various Pacific Rim countries. Aboard its flagship AOE, *Cheon Ji*, had a "showroom" displaying products from Daewoo Shipbuilding and other South Korean companies. While en route, the squadron also visited Japan to participate in the International Fleet Review in commemoration of the 50th anniversary of the Japan Maritime Self-Defense Force. In April 2001, a destroyer of the KDX-I class, together with five South Korean shipbuilding companies, participated in a defense industry exhibition in Singapore.

South Korea has been promoting military-to-military contact in order to boost its export of weapon systems. At a defense ministers meeting with Thailand in December 2000, both countries agreed to step up cooperation in the defense industry. Following the visit of General Surayud Chulanont of Thailand to Seoul in 2002, where he and his South Korean counterpart discussed logistic cooperation, South Korea asked Thailand to allow its firms to participate in the

development of an armored personnel carrier with 20mm Vulcan cannons.

In a report submitted to the National Assembly on February 8, 2002, the MND said that it will “promote the security of the Asia-Pacific region and cooperation in logistics and defense industries with the countries of Southeast Asia and Oceania.” In July 2002, South Korea had meetings with Indonesia, Malaysia, and Singapore to explore the possibility of exporting its weapon systems. At a similar consultation with the Philippines, South Korea reportedly offered a high-speed boat and discussed the possibility of South Korean participation in upgrading the M113 armored personnel carrier. It also discussed with Australia replacing its obsolete 105mm artillery cannons, joint development of navy sonar, a next-generation tank and infantry armored vehicle.

At a meeting of heads of overseas diplomatic missions in February, Defense Minister Kim Dong Shin asked them to support South Korea’s export of military equipment. The MND plans to increase its meetings with defense industries from two to six times a year, and South Korea’s efforts to promote the export of weapon systems are expected to mount.

Since China’s defense industry is still in its developmental stage, inexpensive yet high-quality South Korean weapon systems that are inter-operable with U.S.-made equipment have a good chance of capturing a certain share of this regional market, necessitating a future review of the impact this would have on the security of the region.

### **(3) North Korea’s Military Posture and Its Impact— Strengthening Asymmetric Military Capability**

In the face of economic hardship, North Korea is striving to maintain its readiness and increase its military capability. North Korea’s forward deployment of army troops near the military demarcation line (MDL), its special operation forces and spy ships, and its interest in WMD not only pose a threat to South Korea, but

are a serious concern for the peace and stability of Northeast Asia.

Out of North Korea's total of 1.1 million servicemen, approximately one million belong to the army. Roughly speaking, it has 3,500 tanks, 710 naval craft with a total tonnage of 107,000, and 590 operational aircraft. It has deployed about two-thirds of its army near the demilitarized zone (DMZ), and maintains a large number of long-range artillery, including 240mm multiple-launch rockets and 170mm field guns. For South Korea, whose capital is a mere 40 kilometers from the MDL, the close deployment of such a large number of troops is cause for serious concern.

With much of its equipment outdated, North Korea strove to maintain and strengthen its so-called asymmetric capability. This corresponds to the fact that the advanced weapons developed by South Korea and the United States are not necessarily capable of dealing effectively with the threat posed by North Korea in the form of special operation forces, or WMD and the missiles to deliver them—threats to which the South attaches particular importance. (For further discussion about nuclear weapons, see Section 2, Chapter 1)

North Korea has a substantial quantity of chemical weapons (and the facilities to produce them), as well as the infrastructure to produce biological weapons. In January 2002, the South Korean MND announced the establishment of the Armed Forces' Nuclear, Biological, and Chemical (NBC) Command, which is a joint command recognized from the Army's NBC office. The stated objective of this command is to deal with terrorist threats, and the MND was careful not to say that it was aimed at North Korea. Yet it reflects the South's realization of the threat posed by North Korea's WMD, with estimates that the North has a stockpile of nearly 5,000 tons of chemical weapons and is capable of producing up to 12,000 tons a year.

South Korea continues to train its troops to deal with local military provocation partly because of the growing strength of North Korea's asymmetric capability, and the MND believes that this

threat could become a reality in the coming years. The MND reported to the National Defense Committee of the National Assembly in September that the ROK armed forces have implemented a system to deal with any type of security threat, and have reviewed their response system in the Yellow Sea in the event of an attack similar to the one in June 2002. In that battle, South Korean speedboats were attacked by a North Korean patrol boat equipped with an 85mm gun, causing the loss of one speedboat. North Korea is—and will continue to be—a real threat to the security of South Korea.

North Korea's special operations force, consisting of about 100,000 men, is one of the largest in the world, engaging in intelligence gathering, sabotage, and related activities. Agents travel in midget submarines, air-cushioned landing craft or wood-framed, propeller airplanes called "An-2" that fly low and are difficult to detect by radar.

North Korea also has armed spy boats, one of which infiltrated Japan's exclusive economic zone (EEZ) in December 2001 and machine-gunned and fired rockets at a Japan Coast Guard patrol boat in pursuit. An investigation revealed that the ship was about 30 meters long and 5 meters wide, and carried a small boat and underwater scooters used by agents to come ashore in Japan. Also found on the spy ship were portable surface-to-air missile rocket launchers, 14.5-mm anti-aircraft machine-guns, and 82mm recoil-less guns. (For more information, see Section 2, Chapter 10.)

In addition to strengthening its asymmetric military capabilities, North Korea is producing ballistic missiles, partly to earn hard currency, a development that is having consequences far beyond the Korean Peninsula. Missile technology and replacement parts have become vital exports, with the area around the Middle East an important market. For instance, Pakistan's *Ghauri* missile and Iran's *Shahab 3* both closely resemble the North's *No Dong*, so U.S. pressure on North Korea has become part of its Mideast policy. In a report released in February 2002, the U.S. Defense Department point-



ed out that the transfer of *No Dong* missile technology to Iran has threatened the security of its forces and allies in the Middle East.

It is believed that North Korea has already deployed liquid fuel *Scud-C* and *No Dong* missiles, the latter having a range of about 1,300 kilometers and capable of hitting most parts of Japan, as well as Siberia, Beijing, and Shanghai. North Korea has been researching and developing missiles with longer ranges, such as the *Taepo Dong*, propelled by a *No Dong* as its first-stage booster and a *Scud* as its second-stage booster, with a range of more than 1,500 kilometers. The two-stage missile launched by North Korea over Japan in 1998 was most likely based on the *Taepo Dong-1*.

The U.S. Central Intelligence Agency (CIA) believes that the *Taepo Dong-2*, now under development, will be able to reach parts of the U.S. with a nuclear-sized payload. When completed, this new ballistic missile will be equipped with a new type of first-stage booster resembling Russia's SS-5 or China's CSS-2, and a *No Dong* as its second-stage booster, able to travel between 3,500 kilometers and 6,000 kilometers, giving it the capability to attack Alaska. If North Korea adds a third-stage booster, the entire United States would be exposed. As with the *Taepo Dong-1*, it is expected to be able to carry a maximum payload of 1,000 kilograms, yet if targeted at the continental United States, this will decrease to several hundred kilograms.

At a summit in Pyongyang on September 17, 2002, with Japanese Prime Minister Junichiro Koizumi, Chairman Kim Jong Il said that North Korea will indefinitely postpone testing ballistic missiles, yet a South Korean newspaper reported that North Korea was continuing its efforts to develop them. As of early December, South Korean Defense Minister Lee Jun said he had no new information indicating the North was preparing to resume testing ballistic missiles.

