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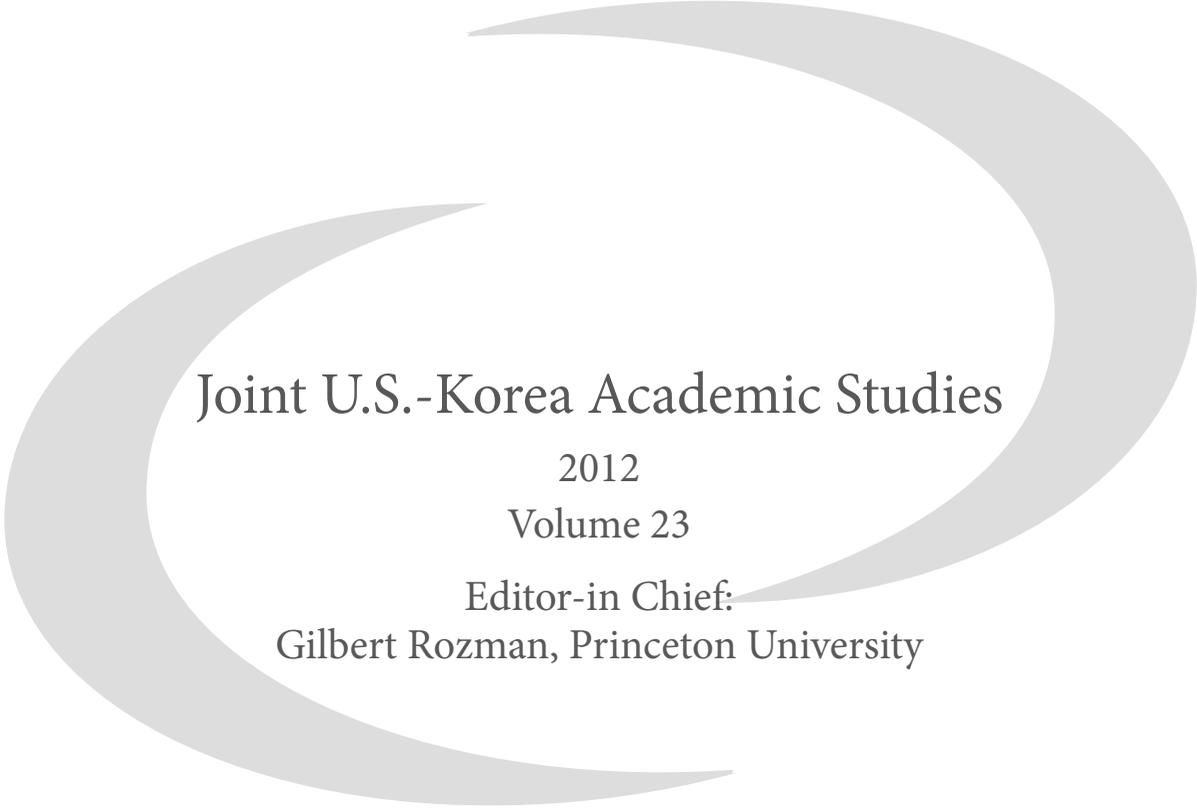
ASIA AT A TIPPING POINT:
KOREA, THE RISE OF CHINA,
AND THE IMPACT OF
LEADERSHIP TRANSITIONS

**EDITOR-IN-CHIEF:
GILBERT ROZMAN**

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PREFACE

For over twenty years, the Korea Economic Institute (KEI) invited leading Korea and Asia scholars and experts from around the world for its annual academic symposium. Each year, KEI partnered with a leading university in the United States and organized a three-day conference covering Korea's economy, politics, foreign affairs, and regional affairs. The event was held at a university campus and was open to the local academic community to participate in this world-class Korea conference.

Starting in 2012, KEI embarked on a new initiative to reenergize this series and partner with the Association of Asian Studies (AAS) to incorporate the symposium within the AAS annual conference. To this end, KEI organized four conference panels, advertised KEI's outreach work to over 3,000 conference participants at AAS, and raised the profile of the institute on a global stage.

As before, KEI edited, compiled and published the research papers presented by the distinguished speakers at the symposium as part of our Joint U.S.-Korea Academic Studies series. A new addition to our endeavor is the involvement of Dr. Gilbert Rozman, the Musgrave Professor of Sociology at Princeton University, who worked tirelessly as the Editor-in-Chief for this *Joint U.S.-Korea Academic Studies* volume and consulted with us on forming the most reputable conference panels for this new initiative. His involvement not only raised the profile of this academic symposium series, but also heightened the quality and rigor of the volume for our subscribers' benefit.

This year's volume is particularly rich with the dramatic leadership transitions within the Asia-Pacific region, the growing uncertainty of North Korea's future, and the growing influence of China and South Korea globally. This year's presenters covered a breadth of issues ranging from the political and security dynamics around the Korean peninsula and in Northeast Asia to increasingly contentious national identity and migration issues to the future of Asia-Pacific economic integration. Scholars from the U.S., South Korea, Japan, and China all contributed to this compilation. I trust you will not be disappointed by the scholarship and insights of these chapters.

I see no better way to mark KEI's thirty years of outreach and efforts to promote Korea policy within academic communities, than by launching this updated symposium series and publishing this world-class volume. We hope you enjoy this book as much as we have working to create it.

—Charles L. (Jack) Pritchard
President, Korea Economic Institute
June 2012



Political Change in 2010-2012 and
Regional Cooperation Centered
on the Korean Peninsula

INTRODUCTION

The year 2012 may be determinative in transforming the leadership that will decide the fate of the hexagonal maneuvering over the North Korean nuclear threat and the prospects for reunification. Assuming his posts after his father Kim Jong-il's sudden death, an untested Kim Jong-un faces the difficult challenge of consolidating power while calibrating the pressure he and his powerful military constituency will apply in order to leave no doubt that North Korea cannot be ignored. A re-ascendant Vladimir Putin, who made renewal of personal ties to Kim Jong-il the stepping stone to Russia's reassertion of influence in Asia, must decide how firmly to support North Korea along with China in realizing his strategy of reasserting the power balancing logic of Soviet foreign policy. Similar to Putin, Xi Jinping can look forward to a high probability that he will retain power into the 2020s, continuing a relationship with North Korea which China has no intention of fraying no matter how belligerent the North becomes. At the sixtieth anniversary of the Korean War, the Chinese leader delivered a message that it was a glorious war that cemented relations with North Korea. These three choices of leaders provided clarity within the regional hexagon by early 2012, but another three uncertainties still to be resolved by year's end must be added to this picture.

In the case of Noda Yoshihiko the question is not a set date for elections to either the Lower or the Upper House of the Diet, but a resolute stance to overcome Japan's malaise by forcing tough votes that will decide his fate and, if he fails, make early elections likely. Japan's relations with the United States will be affected by its stance on the Trans-Pacific Partnership followed by three-way talks with China and South Korea aimed at a joint FTA, while the shadow of North Korea's growing threat is hovering in the background. The November U.S. elections will culminate a year of priority for the Iranian nuclear threat, to which Republican candidates promise to be even tougher than Barack Obama, but the overlap with the struggle against North Korea's nuclear threat is unmistakable as Obama's State of the Union assurance that he will prevent Iran from going nuclear reverberates in Northeast Asia. South Korea is the site of year-end elections that mark the final leadership choice of 2012. If the conservatives retain power, its posture toward North Korea is bound to be far more cautious, demanding reciprocity and coordinating with the United States, than if the progressives regain power with renewed hopes that one-sided generosity and more diplomatic balancing between China and the United States are the desired strategy.

In the span of one year there will be a remarkable leadership reshuffling and vetting in all countries involved in the Six-Party Talks with profound consequences for the future of the Korean peninsula. Assuming relative continuity in North Korea and China, where new leaders are selected by the old leadership and are still held accountable to the same vested interests, leadership change in the United States is of primary concern in predictions of what might be different after 2012. If Obama stays in office and succeeds in orchestrating multilateral pressure on Iran that causes it to back away from nuclear defiance, then efforts to find a multilateral solution for the North Korean threat will likely intensify. If he stays in office but deems sanctions to be failing or is provoked into a military confrontation in defiance of Russian as well as

Chinese policy, then cooperation on North Korea is less likely as U.S. allies are forced to take a stance. Even more confrontational would be the Republican policy, in light of campaign rhetoric, foreign policy advisors, and scorn for multilateralism.

No matter who wins, confrontational forces are likely to grow in light of the North's trajectory and China's increasing support of North Korea and Sinocentric strategy.

As Jack Pritchard and Gordon Flake explain, the sequence of 2012 transitions matters. Kim Jong-il's stroke in 2008 and death in December 2011 showed others a combination of at least three things. First, leadership would be weakened for a long time to come in North Korea, resulting in even more deference to the military and the principle of *songun*. Second, the prospects for serious reform and real pursuit of denuclearization, even along the lines followed in 2007-08, had grown dim. Third, through China's accommodation of North Korea's belligerence and embrace of this succession (prioritizing regime stability over everything else), the choices available to new leaders—including China's fifth-generation party leadership—are constricted.

If the North Korean succession had occurred even a few years earlier, China's response would likely have been different. Kim Jong-un would have been younger and even less groomed to take power. China's relative power would have been less, leaving more doubt about its readiness to challenge the United States and the other states that prioritize denuclearization. Chinese concern for boosting soft power and encouraging multilateralism would have remained salient. Instead, China damaged relations with the United States and South Korea, after reassessing on the basis of newly asserted Sinocentric aspirations the importance of regime stability in the sole country with which it has a treaty of alliance and legacy of communist comradeship.

South Koreans oscillate not only in the way leaders have dealt with China but also in choosing between blaming China for opposing reunification while reinforcing North Korea in pursuit of hegemony and blaming their own leaders for mishandling China policy in ways unfavorable for dealing with North Korea. Zero-sum thinking about South Korean relations with China and the United States has complicated the effort to strike the right balance, but North Korea's aggressive behavior has widened the Sino-U.S. divide and left in doubt progressive plans to draw closer to China while sustaining a strong alliance. Jae Ho Chung traces the balance between conservatives and progressives in the National Assembly and the annual changes in views of the United States, as he shows how new leadership has influenced policy toward China.

Japan's quest for a greater voice on Korean affairs has led to frustration, as discussed by Kazuhiko Togo. Yet, that does not mean leadership change is irrelevant to diplomacy toward both North and South Korea. He shows the recurrent interest in finding a path forward with the North and in solidifying relations with the South on the basis of increasingly overlapping values and security interests. Difficulties in coordinating with both South Korea and the United States in talks with North Korea are a major theme in his chapter, raising the question of how much a single leader can achieve without yielding to more urgent U.S. and South Korean diplomacy. Not able to put aside the territorial dispute with South Korea, Japan appears destined to further bouts of wishful thinking without serious follow through of strategic moves.

While leadership change in China potentially has the greatest bearing on the future of North Korea outside the North itself, we know less about the inner debates there than in the democracies. Gilbert Rozman has traced changing positions, as one generation of leaders has been replaced by another. He has also looked for clues about the input of different interest groups. Considering China's shift in thinking toward South Korea from 2008 and toward North Korea from 2009 as a decisive turning point, punctuated in October 2010 by Xi Jinping's commemorative statement on the sixtieth anniversary of the Korean War, Rozman concludes that their leadership will not see a return to its flexible, multilateral posture to 2008. Taken together with the conclusions drawn in the chapter on North Korea's transition, this argument suggests that new flexibility in South Korea or even in Japan is unlikely to alter the sharp divide now in place. In the aftermath of Bo Xilai's downfall in March 2012, reform elements gained traction, but a precarious balance prevailed without hardliners losing their decisive voice.

A chapter on Russia's leadership is not included, although Russia is treated separately for its approach to security. Suffice it to say, that even Dmitry Medvedev showcased Russian support for Kim Jong-il, meeting with him in Ulan-Ude in August 2011. With Putin's return to the presidency after campaigning on anti-Americanism, the importance of opposing U.S. foreign policy is not likely to diminish. Yet, Russia's dream of multilateralism contrasts to China's Sinocentrism, and Russia denounced North Korea's March 2012 announcement of an April satellite launch that scuttled the "Leap Day" agreement with the United States; so Putin's hold on power likely keeps alive the uncertainty over how Russia would respond to a crisis atmosphere.

Leadership has great bearing on the way the states active in Northeast Asia address sensitive questions related to the Korean peninsula. How should the shared goal of denuclearization be prioritized relative to goals such as stability and the regional balance of power? What weight should be given to human rights in the context of urgent security concerns? To what extent should the multilateral nature of diplomacy override the expression of national policy priorities? How closely is coordination with South Korea advisable, recognizing its legitimacy to represent the Korean people, given divergence in threat perceptions and strategic thinking about the future of the peninsula? In the United States and South Korea differences often emerge on some of these questions. In China and Japan differences across time have been noteworthy. Leaders represent changing outlooks over time if not contrasting orientations in the competition for votes. South Korea is the principal unknown in the aftermath of its leadership transition, as indicated by past experience and by the greater contrast in views of political elites on how to deal with the North.

Leadership Changes and South Korea's China Policy

JAE HO CHUNG

Changes in political leadership are often associated with readjustments or reversals of policy, the impact of which can be both wide-ranging in scope and long-lasting in duration. Foreign policy, which had long belonged to the realm of sovereign decisions by the kings and their trusted servants in traditional times, has of late fallen into the domain of intense bargaining and compromises between the state and the society in the era of informatized popular democracy.¹ Political leaders are, of course, still empowered to make authoritative decisions but their boundary of discretion is now significantly constrained by the obligations to reflect and accommodate the interests and, increasingly, sentiments of the people who vote for them.

This article tackles the following question: Are leadership changes associated with oscillations in South Korea's China policy? Three issues seem particularly important: (1) how South Korean elite perceptions of China have been evolving over the years; (2) given that South Korea is now a fully-operating democracy where political elites have to accommodate popular sentiments and demands to a certain extent, how South Korean people's views of China have changed over time; and (3) whether South Korea's China policy has actually oscillated in tandem with the fluctuations in South Korean perceptions and views of China. The article deals with each of these issues in that order and concludes with some observations on future challenges.

SOUTH KOREAN ELITE PERCEPTIONS OF CHINA

For much of the history of the Republic of Korea, Seoul's foreign policy and external strategy has revolved around Washington as the U.S. has been its patron and principal protector against communist threat and against North Korea in particular.² Until the 1970s, China and South Korea were antagonistic to each other at worst and indifferent at best. For China, North Korea was a close ally while, for South Korea, Taiwan was a principal partner. Naturally, during this earlier period, South Korean elite perceptions of China as North Korea's ally and protector were generally negative, if not entirely hostile.

Cold War Sentiments

During Syngman Rhee's rule in the 1950s, Cold War sentiments dominated foreign policy in South Korea. U.S.-China relations, Sino-South Korean relations and inter-Korean relations were all so antagonistic that virtually no room was available for Seoul's direct dealing with Beijing, not to mention a rapprochement between the two. The present danger of North Korean aggression at the height of the Cold War was such that South Korea's foreign policy focus revolved mainly around the task of maintaining and consolidating the military alliance with the U.S.

The rise of Park Chung-hee in 1961 did not change the South Korean elite's perception of China as an antagonistic communist nation. Economic development became a top priority and, for that reason, sustaining solid security ties with the United States was deemed a prerequisite. The only official encounter between South Korea and

China took place at Panmunjom where armistice meetings were held intermittently. Throughout the 1960s, Cold War sentiments continued to dominate foreign policy in Seoul, thereby precluding possibilities for Sino-South Korean rapprochement.³

Drastic changes occurred in the international strategic environment during the early 1970s. China's accession to the United Nations in 1971, Nixon's blitzkrieg visit to China, and the subsequent rapprochement in 1972 between China, on the one hand, and the United States and Japan, on the other, came as a shock to South Korean elites. Mindful of China's potential influence over North Korea, Seoul came to think strategically about improving relations with Beijing. As early as 1971, South Korea's Foreign Minister, Kim Yong-Sik, commented that "[I]t is the policy of my government to approach the question of improving relations with the Soviet Union and the People's Republic of China with flexibility and sincerity."⁴ According to a 1972 survey, as many as 38% of the National Assembly members were already in support of diplomatic normalization with Communist China.⁵

President Park's view of China shifted from antagonism and concern to interest and sense of utility. In 1972, Park instructed his Foreign Ministry to expand contact with Chinese diplomats overseas. For that purpose, five embassies and one consulate general (Washington, Tokyo, London, Paris, Ottawa and Hong Kong) were designated as the venues for such contact.⁶ Park's strategic thinking was encapsulated in his June 23, 1973 announcement, which abandoned the long-held Hallstein Principle and opened the door to socialist nations like China and the Soviet Union. South Korean media repeated the tune that Seoul should remain alert security-wise but keep its diplomatic options open as far as China was concerned.⁷ Of course, the detente atmosphere in inter-Korean relations was also a factor in favor of such shifting views of China in South Korea.

The fall of Saigon in 1975 and complex post-Mao succession politics in Beijing slowed down the momentum for rapprochement between South Korea and China. While details of Park's strategic thinking toward China still remain veiled, many of his overtures toward China were concentrated in the last phase of his rule (1977-79), concomitant to Seoul's increasingly bumpy relationship with Washington. The failed nuclear weapons program in the midst of the "Carter chill," by which all U.S. ground combat forces were to be withdrawn from South Korea in four to five years from 1977, must have pushed Park for an alternative window for security assurance—i.e., rapprochement with communist foes.⁸ It was not a coincidence that Kim Kyung-won, special assistant to the president on international security affairs, remarked in November 1978 that South Korea hoped to improve relations with China.⁹

China as a New Window of Opportunity

During his tenure as president, Chun Doo-hwan displayed strong interest in improving ties with China, as well as with the Soviet Union. During his state visit to Washington in 1981, Chun commented, "[I]f the People's Republic of China is a friend of the United States, I think I can extend the logic and say a friend of a friend is less of a threat to us."¹⁰ Recent documentation also demonstrates that the Chun administration skillfully utilized the 1983 hijacking incident and the 1985

Kunsan torpedo boat incident in improving ties with China.¹¹ In retrospect, however, Chun appears to have been more committed to consolidating Seoul's alliance relationship with Washington. Given that his rise to power was facilitated by the military coup d'état and bloody suppression of the Kwangju Uprising, America's formal endorsement must have been indispensable in securing the support and legitimacy for his regime.¹² Chun's view of China proved to be largely economic in pursuit of diversification of South Korea's export markets and investment destinations.

Roh Tae-woo was different from Chun, however. Roh was popularly elected and, therefore, not as much constrained by consideration of how his legitimacy was perceived by the United States. President Roh actively searched for alternative frameworks of South Korea's external relations. For one, he sought to utilize China in efforts to diversify South Korea's trading partners so as to reduce excessive dependence on the United States and Japan. For another, more importantly, Roh also wished to shed Seoul's role as Washington's loyal subordinate by actively seeking rapprochement with Moscow and Beijing.¹³

Unlike Chun, from the outset, Roh had a strategic agenda regarding South Korea's diplomacy toward the socialist bloc and China in particular. Roh described his vision as follows: "[A] new beginning [is here], an era of hope, which will see Korea, once a peripheral nation in East Asia, take a central position in the international community." He went even further by saying that "[W]e will broaden the channel of international cooperation with the continental countries with which we have thus far had no exchanges...Such a northward diplomacy should also lead us to reunification."¹⁴

Roh's northern diplomacy was, to a certain extent, seen as an independent effort to reduce excessive dependence on the United States. In December 1988, Park Dong-jin, Korea's ambassador to Washington, characterized American views of *nordpolitik* at the time as South Korea's "unilateral drive"—i.e., lacking sufficient consultation with its key ally.¹⁵ South Korea's response to the Tiananmen massacre in June 1989 was not synchronized with the tough measures adopted by the United States, Europe, and Japan. South Korea remained silent on the bloody military suppression and willing to resume business with China. Whereas the number of business delegations to China from the United States and Japan was reduced by more than 50%, those from South Korea marked a 70% increase over 1988.¹⁶

What then prompted South Korea to view China as a new window of opportunity? Strategically speaking, as noted earlier, the desire to reduce dependence, both economic and strategic, on the United States played a crucial role, while South Korea's growing national pride—an inclination to pursue a status on a par with her newly acquired capabilities—was also a factor. As an American analyst aptly put it: "Leaders in Seoul display a new appreciation that security means more than perpetuating the U.S. connection...[I]t still remains vital, but so are Seoul's new-found diplomatic levers."¹⁷

There was also the Japan factor. Regarding Japan, there existed a huge perceptual gap between the United States and South Korea. During the 1990s, South Korea viewed Japan as most threatening while America maintained much more favorable

perceptions of Japan.¹⁸ Though briefly and implicitly, there were some shared perceptions between China and South Korea of the latent threat that Japan might pose for the region. In fact, one reason for Beijing's decision to normalize relations with Seoul in 1992 was allegedly to lay the groundwork for an anti-Japan coalition.¹⁹

Much of Kim Young-sam's reasoning with regard to the role of China, or regarding South Korea's external strategy, remains unknown. Kim appears to have viewed China as a new window of opportunity, though largely unspecified. At a press briefing on his state visit to China on March 29, 1994, Hwang Byung-tae, South Korea's ambassador to China, remarked that "South Korea-China cooperation over the issue of North Korea's nuclear program should go beyond the level of simply notifying Beijing what has already been decided between Seoul and Washington.... South Korea's diplomacy should break out of its heavy reliance exclusively on the United States."²⁰ Although the remarks were drastic by the standards of the time, neither did President Kim endorse the remarks, nor was the ambassador sacked. (He remained in his post until 1996). Expectations for China as a strategic actor in the Korean game were indeed growing among South Korean elites.

In retrospect, it appears that up to Kim Young-sam's rule, South Korea's China policy had a linear upward trajectory from the points of antagonism and indifference to those of rapprochement and normalization filled with high expectations for economic and even some strategic cooperation. As the domestic political scenes became more complicated during the late 1990s, South Korea's China policy also took on an ideological—i.e., zero-sum—dimension.

The Rise of the Progressives, 1998-2007

The election of Kim Dae-jung as president in 1997 marked a new era in South Korean politics as it was the first progressive government to come to power. Kim pursued a dual-track strategy—the "Sunshine Policy" toward North Korea and an engagement policy toward China—and neither made the United States happy. The Sunshine Policy, engaging and assisting North Korea without requiring any *quid pro quo*, was closely connected with the engagement policy toward China in the sense that the Kim administration found it necessary to elicit support—or at least no objection—from China in order to accomplish reunification. Since South Korea was structurally tied to the United States through the alliance framework, it was thought, the spread of the "China threat" thesis would only constrain the range of Seoul's options.²¹

The rise of the progressive government coincided with the empowerment of public opinion in South Korean politics. During the period of concern, highly favorable and hopeful views of China emerged, marking a stark contrast with the plummeting popularity of America in South Korea.²² While the Kim administration possessed some threads of distinct strategic thinking, it did not have a China focus *per se*. Instead of viewing China as an alternative or counterweight to the U.S.-centered diplomacy, Kim's strategic thought revolved more closely around inter-Korean cooperation (*minjok gongjo*) and reunification, for which China was considered one of many variables.²³ Furthermore, South Korea at the time needed America's support for economic recovery from the

severe financial crisis and, therefore, Seoul's engagement toward China was yet neither so proactive nor pursued at the expense of South Korea-U.S. relations.

Toward the end of Kim Dae-jung's term, South Korea-U.S. relations plummeted to a record low in the wake of candle-lit anti-American demonstrations ignited by the tragic incident where two schoolgirls had been run over by a U.S. army vehicle. Among other things, the rise of fierce anti-American sentiments contributed significantly to the election of Roh Moo-hyun in December 2002. Worth noting is the fact that, up to that point, anti-Americanism was not directly connected to pro-China sentiments in South Korean politics. That is to say, zero-sum views linking Korea-China relations with Korea-American relations were not yet so popular.

The failed impeachment in 2003 led to a landslide victory for Roh's party in the National Assembly elections of April 2004. The subsequent massive inflow of younger politicians into the political arena introduced a drastic—both generational and orientational—change to the elite strata in South Korea as over two-thirds (68%) of the National Assembly members in the incumbent Uri Party and nearly half (43%) of those in the Grand National Party were younger first-timers. Many had different world outlooks. According to a *Dong-A Ilbo* survey of 138 newcomers to the National Assembly in 2004, 55% viewed China as a more important foreign policy target of South Korea than the United States.²⁴ More importantly, the spread of such opinion surveys gradually linked the elites' perceptions of the United States with those of China, unintentionally and unnecessarily popularizing dichotomous zero-sum views.

The Roh administration inherited its predecessor's Sunshine Policy toward North Korea. Vis-a-vis the United States and Japan, it insisted on "diplomacy with self-esteem," different interests were to be duly noted rather than concealed. In coping with the second nuclear crisis since 2002, while the Bush Administration took South Korea out of the driver's seat, Seoul was, nevertheless, singing peace and stability to the tune of Beijing in the backseat in efforts to prevent Washington from adopting non-peaceful measures against Pyongyang.²⁵ This naturally led to the situation where China emerged as an influential player and mediator in the North Korean conundrum. The heated debates among South Korean policy elites on the size, location, and timing of dispatching South Korean forces to Iraq in early 2004 were also indicative of the state of affairs in the Korea-U.S. alliance at the time.

It is often suggested that the Roh administration's catch phrase of "independence" or "self-reliance" meant a policy stance closer to China than to the United States. Despite painstaking compromises found in *Pyonghwa wa bonyong eul wihan dongbuka* (Peace and Prosperity for Northeast Asia) compiled and published in 2004 by the National Security Council (NSC), the Roh administration was generally seen as tilting toward China.²⁶ In an interview with this author, Lee Jong-seok, who directed the National Security Council for the first three years of the Roh administration, remarked:

President Roh took the task of keeping a balance between Washington and Beijing seriously, and this was often interpreted - wrongly - as taking a pro-China stance....As the administration stressed multilateral cooperation in the region, bilateral ties with the U.S. weakened to a certain extent, thereby further augmenting the image of the administration as tilting toward China.²⁷

In the summer of 2004, China dealt a heavy blow to the Roh administration. With much attention given to China's "Northeast Project" (*Dongbei gongcheng*)—efforts to incorporate much of Korea's ancient history into China's "local history"—many South Koreans became deeply concerned with the rise of an "assertive" China. Those who had had high hopes and expectations for China were disillusioned.²⁸ As Table 2 demonstrates, the impact of the history controversy was such that South Korean perceptions of China made an about-face in 2004.

The South Korean elite also changed its views of China. According to a 2005 survey conducted with 187 members of the National Assembly, 68% chose the United States as South Korea's most important foreign policy target.²⁹ Compared to the 2004 survey conducted with 138 assemblymen, which found 55% of the respondents chose China, the impact of the history controversy was readily discernible. Interestingly, one of the books that was then known to be Roh's favorites depicted the United States as a constant, not a variable, in South Korea's security equations and stressed the need to maintain Seoul's "independent" status vis-à-vis China.³⁰ The sudden surge of interest in a Free Trade Agreement with the United States (KORUS FTA) in 2005 is notable in the sense that Seoul was reawakened to America's strategic value.

The essence of the Roh administration's strategic thinking is found in Seoul's negotiations since 2003 with Washington on the issue of "strategic flexibility" (i.e., on what terms the U.S. forces can be deployed in and out of South Korea to cope with regional contingencies). While it initially appeared that South Korea was paying much attention to Chinese views and concerns, it, in fact, sought hard to avoid the intricate situation where it could be inadvertently sucked into an unwanted regional conflict—say, over the Taiwan Strait—thereby damaging its economic interests in China.³¹

Overall, in stark contrast with the earlier expectations, South Korea's strategic relationship with China of this period did not improve to the extent of compensating for the serious cracks in the Seoul-Washington alliance relationship. As a matter of fact, toward the end of Roh's term, South Korean perceptions of China continued to worsen (see Table 2) and, in tandem with South Korea's growing economic and diplomatic dependence on China, a sort of "China fear" began to emerge.³²

The Conservatives Strike Back

The election of Lee Myung-bak as president in December 2007 and the victory of the Grand National Party in the April 2008 National Assembly elections brought about drastic changes in South Korean politics. The principle of "ABR" (anything

but Roh Moo-hyun) was implemented virtually across the board.³³ To the extent the Roh administration was held accountable for the weakened ties with the U.S., the incoming administration vowed to restore and consolidate the alliance. Given the prevailing zero-sum views in South Korea, this inevitably meant weakened ties with China or, at least, a perception as such.

Table 1 illustrates the self-categorized ideological orientations of the National Assembly members in the last ten years. Among the members of the 18th Assembly (the bottom row), the share of conservatives was much higher (61%) than after the previous two elections. According to a 2008 survey conducted among 220 members newly elected to the 18th National Assembly, 137 members (59.6%) chose the United States as the most important country, while the comparable figure for China was 81 (35.2%).³⁴ Compared to the aforementioned 2004 survey which found that 55% of the Assembly members surveyed chose China, the orientational difference of the key elite was clearly identifiable.

	Conservative	Progressive	Others
2002 (16th)	19%	20%	69%
2004 (17th)	20%	45%	35%
2008 (18th)	61%	33%	6%

Sources: *Dong-A Ilbo*, April 14, 2008; and <http://ask.nate.com/qna/view.html?n=8148689> (accessed on January 5, 2012).

Assessing the Lee administration's China policy from 2008 through early 2012 is a rather complicated task since, at least on the surface and in rhetoric, it paid much attention to sustaining a good relationship. Generally speaking, however, its China policy has not really lived up to its rhetoric and announced policy goals. We may employ the following three criteria to substantiate this specific assessment.

First, while South Korea and China established a "strategic cooperative partnership" (*zhanlue hezuo huoban guanxi*) in May 2008 in efforts to expand the domain of Sino-South Korean cooperation from merely bilateral to regional and even to global issues, little evidence is thus far available to indicate that the two nations have indeed achieved genuine cooperation on urgent regional problems such as the North Korean nuclear issue, not to mention global ones. Particularly after the Cheonan sinking and the Yeonpyeong shelling in 2010, serious doubts have been cast with regard to the real meaning of "strategic cooperation" between the two nations.³⁵

Second, Chinese assessments of South Korea-China relations are such that they are "generally healthy but carry some 'dark currents' that can affect the relationship at any time" (*zongti lianghao de tongshi ye shibushi you anliu yongxian*).³⁶ Alternatively, South Korea's relations with China are also viewed as "hot in economics, warm in diplomacy, but cool in security terms." The ever-increasing trade statistics are starkly contrasted with China's stance on the sinking and shelling incidents in 2010. China's unequivocal defense of North Korea even

in the case of the first-ever attack by North Korea on South Korean land territory since 1953, which led to tragic civilian casualties, tells us a lot about the current state of affairs in South Korea-China relations.

Third, the Lee administration's "alliance first" policy (consolidating the strategic alliance with the U.S. and accommodating America's requests for military support in Iraq, Afghanistan and elsewhere) was seen by the Chinese as de-prioritizing China and rejecting the "pro-China" policy of the progressive governments before it. One crucial point needs to be highlighted at this juncture. It refers to the unduly heightened expectations that China had of South Korea's China policy under Kim Dae-jung and Roh Moo-hyun. Chinese analysts referred to U.S.-South Korean relations in the Roh administration as an "alignment" (*lianmeng*) instead of an "alliance" (*tongmeng*), thereby denoting a less military-related and looser organization. Yet, during Lee's rule, Chinese analysts reflected on their mistakes of over-interpreting and over-generalizing the policies of the two progressive governments.³⁷ At least from China's perspective, changes in political leadership mattered in terms of South Korea's policy toward China.

UPCOMING CHALLENGES: POLICY OSCILLATIONS AND DEMOCRATIC TRAPS

Theoretically speaking, democracy is said to be well functioning when government policy is able to reflect and accommodate the general public's views and needs. Although the nature of foreign policy is different from many other types of government policies, public opinion is generally understood to wield increasing levels of influence over South Korea's foreign-policy making. On the basis of thirty-four nationwide opinion surveys, Table 2 compares South Korean views of China with those of the United States for the period 1997-2012.

The public opinion data in Table 2 offer two interesting observations. First, with the year of 2004 as a watershed, South Korean views of China made an about face. For the period from 1997 to early 2004, nine (90%) out of the ten surveys found that South Koreans had more favorable views of China than of the United States. During 2004-2011, however, only four (16.7%) out of the twenty-four surveys found that South Koreans' perceptions of China were more favorable than those of the United States. The impact of the Koguryo controversy (from 2004) on views of China appears to be stronger and more durable than previously assumed. Apparently, South Korean perceptions have shifted to a zero-sum view in the sense that a decline (or increase) in negative views of China has been correlated with an increase (or decline) in positive views of the United States.

Second, more importantly, it appears that the respective government's China policy in the last ten years or so roughly corresponded with South Korean public opinion of China. During the period of two progressive governments, South Korean perceptions of China were far more favorable than those of the United States, and for the period of the conservative government under Lee, South Koreans viewed the United States more positively than China. One problem with this interpretation, however, concerns

Year	Chose China	Chose U.S.
1997 ^{1*}	56	31
1999 ^{2*}	33	22
2000 ^{3***}	45	43
2000 ^{4***}	53	8
2001 ^{5**}	29	30
2002 ^{6**}	41	30
2002 ^{7**}	50	36
2002 ^{8**}	55	37
2003 ^{9***}	48	33
2004 ^{10***}	48	38
2004 ^{11*}	24	53
2005 ^{12**}	39	54
2005 ^{13**}	38	37
2005 ^{14**}	65	51
2005 ^{15**}	15	38
2005 ^{16**}	11	46
2005 ^{17***}	29	55
2006 ^{18**}	12	50
2006 ^{19**}	56	51
2006 ^{20**}	24	47
2006 ^{21**}	57	58
2007 ^{22**}	32	35
2007 ^{32**}	10	53
2007 ^{23*}	20	79
2008 ^{24***}	52	30
2008 ^{25**}	40	49
2008 ^{26*}	18	52
2008 ^{32**}	8	61
2008 ^{27*}	23	50
2008 ^{28***}	15	45
2009 ^{29***}	32	51
2009 ^{32**}	6	68
2010 ^{30**}	6	71

2010 ^{31**}	4	71
2011 ^{32**}	5	69
2011 ^{33**}	33	78
2012 ^{34**}	12	35

Notes: *Question: With which country should South Korea maintain close relations? ** Question: Toward which country do you feel more favorable? ***Question: Which country should South Koreans regard as more important?

Sources:¹The Sejong Institute, 1997 *Seyon Report* (Seoul: Dongseo Research, October 1997), pp. 11-13; ²*Dong-A Ilbo*, January 1, 1999; ³*Hanguok Ilbo*, June 9, 2000; ⁴*Dong-A Ilbo*, December 5, 2000; ⁵*Dong-A Ilbo*, December 25, 2001; ⁶*Sisa Journal*, March 2002; ⁷*Wolgan Chosun*, July 2002; ⁸*Chosun Ilbo*, December 22, 2002; ⁹*Joong-Ang Ilbo*, February 12, 2003; ¹⁰*Dong-A Ilbo*, May 4, 2004; ¹¹*Global View 2004* (Chicago: Chicago Council on Foreign Relations, 2004), p. 19; ¹²*Chosun Ilbo*, January 1, 2005; ¹³*Hankyoreh sinmun*, March 17, 2005; ¹⁴*Hanguok Ilbo*, June 10, 2005; ¹⁵*Kookmin Ilbo*, December 9, 2005; ¹⁶*Joong-Ang Ilbo*, December 22, 2005; ¹⁷*Dong-A Ilbo*, November 7, 2005; ¹⁸*Joong-Ang Ilbo*, May 18, 2006; ¹⁹*Hanguok Ilbo*, August 7, 2006; ²⁰*Munwha Ilbo*, September 16, 2006; ²¹*Joong-Ang Ilbo*, December 23, 2006; ²²*EAI Opinion Briefing*, No. 9-2 (March 6, 2007); ²³*Christian Science Monitor*, August 13, 2007; ²⁴*Dong-A Ilbo*, April 1, 2008; ²⁵*EAI Opinion Briefing*, No. 25-1 (April 2, 2008); ²⁶*Kookmin Ilbo*, August 15, 2008; ²⁷*Dong-A Ilbo*, August 15, 2008; ²⁸*Kyunghyang sinmun*, August 15, 2008; ²⁹*SBS Sisa toron* (RealMeter: February 21, 2009); ³⁰*Chosun Ilbo*, August 12, 2010; ³¹*2010 tongil euisik josa balpyo* (Survey Report on the Consciousness of Unification) (Seoul: Institute for Peace and Unification Studies, Seoul National University, September 7, 2010), p. 90; ³²*2011 tongil euisik josa balpyo* (Survey Report on the Consciousness of Unification) (Seoul: Institute for Peace and Unification Studies, Seoul National University, September 21, 2011), p. 58; ³³*2011 gugkbang e daehan gukmin euisik josa* (Survey Report on the People's Consciousness Regarding National Defense) (Seoul: Korean Institute for national Defense, November 2011); ³⁴*Dong-A Ilbo*, January 6, 2012.

how to assess the Roh administration's China policy for the period of 2005-2007. If South Korea's agreement to the strategic flexibility of American forces in 2006 and the signing of the KORUS FTA in 2007 are interpreted as indicators of changes in Roh's China policy, the Roh government can also be said to have been more reflective of public opinions in its foreign-policy making.³⁸

If the findings noted above are a useful guide, which party should dominate the National Assembly elections in April and who should be elected as the new president in December this year are the most important issues of all. As for April, uncertainties loom large for at least two reasons. First, South Korean voters do not seem to have high levels of trust in incumbent politicians. According to a recent nationwide survey, respondents replied that as many as 61% of the incumbent members of the National Assembly need to be replaced by new faces. Ongoing nominations of candidates also seem to reflect such sentiments. Second, compared to four years ago when the popularity rating for the opposition party was a mere 9.6% as opposed to the governing Grand National Party's 54%, the current ratings as of March 2, 2012, were 31.8 versus 33.7%.³⁹ Predicting the outcome is difficult.

Predicting the outcome of the presidential election is equally, if not more, daunting. Unlike 2007, the upcoming presidential election is likely to be neck-and-neck given the growing discontent with the incumbent party. Notable at this point is the steady increase in the number of people who identify themselves as "progressives," which rose from 26.6% in 2006 to 28.9% in 2010 and 32.3% in 2011.⁴⁰ At the time of this writing, it is still not clear who will be the candidates from the governing and

opposition parties, or whether there will be a significant third-party candidate. Whoever the candidates may be, the most crucial issue at hand is whether they will be able to break the fixed image of their party's China policy. Will they be able to dispel the zero-sum cast between China policy and U.S. policy? Given that China policy is occupying an increasingly important place in South Korea's external strategy, how the candidates will address this issue—if the theme of foreign policy should become a key agenda at all for the presidential election—remains to be seen.

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North Korean Politics and China

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The death of North Korean leader Kim Jong-il on December 17, 2011 has prematurely set in motion the leadership changes that were anticipated in 2012. To be sure, a leadership change in North Korea in 2012 was not a given, but the transitional preparation that was begun in earnest in September 2010 with the naming of Kim's third son, Kim Jong-un, to a series of leadership positions as the designated successor was expected to continue in a serious vein. Kim Jong-un's arrival so early in 2012 restructures how the remainder of the anticipated leadership changes in Northeast Asia will be viewed. Instead of waiting to see how political transitions in China, South Korea, Russia and the United States might influence the succession process in North Korea, it is the sudden change in Pyongyang that could now have more of an impact in South Korea's National Assembly election in April and its presidential election in December. While events in North Korea are unlikely to have much of an impact on other leadership changes in the region, it will force U.S. presidential candidates to address a new dynamic when they (however briefly) talk about U.S. policy toward North Korea.

Since the stroke of DPRK leader Kim Jong-il in August 2008 and now his death in late 2011, almost all domestic and certainly all foreign interactions by Pyongyang have been focused on an accelerated and comprehensive effort to put in place a viable leadership successor. Inevitably, there are two schools of thought on the long-term prospects of success for a third generation hereditary succession in North Korea. The initial smoothness of the process has led many analysts to declare the transition a success, while others disagree pointing to the lack of depth of preparations, the inexperience of Kim Jong-un, and the youth of the new leader as significant points of comparison to the transition that took place in 1994 when Kim Jong-il succeeded his father as supreme leader. Also, somewhat counter intuitively, it is possible to view the rapidity with which Kim Jong-un has accumulated titles and support as a sign of weakness or at least a sign of a lack of confidence in the transition. By 1994 Kim Jong-il had already taken real control over the DPRK and yet assumed few titles and kept a low profile during a three-year "mourning period." As the dynamic with the current transition is different, with Kim attempting to give power to his son, Kim Jong-un does not appear to have the luxury of a long ambiguous transition.

DOMESTIC POLITICAL FACTORS

For the past three and a half years, a carefully orchestrated transition has been taking place. Kim Jong-il's sister Kim Kyong-hui and his brother-in-law Jang Song-thaek were given even more prominent places in government. The brother-in-law, Jang, was placed on the National Defense Commission—the highest governing body—in April 2009 and then in June 2010 was made one of its vice chairman. In September 2010 the selection of Kim's third and youngest son, Kim Jong-un, as the next leader was made official as he was made an instant four-star general and given the position of vice chairman of the Korean Workers Party's Central Military Commission. Kim Jong-il's sister was also made a four-star general. Favored generals were promoted and close confidants given key positions on the Politburo. In early November 2010 when co-author Jack Pritchard visited North

Korea for the eleventh time, he was told by senior officials in the Ministry of Foreign Affairs that “all was well, that Kim Jong-il was healthy and in charge, and that they now have the pleasure of also serving the ‘young general’ – Kim Jong-un.” The message was a deliberate effort to dispel outside speculation that Kim was on death’s bed or that there was any opposition to Kim Jong-un as the next leader of North Korea. Thirteen months later, the situation drastically changed.

Why Kim Jong-un? There is some anecdotal evidence that Kim Jong-il had misgivings about a third generation Kim family successor to power. Unfortunately, he never acted to create an alternative opportunity and, conversely, was so concerned about a threat to his power that he actively eliminated potential contenders. Case in point was the demotion and banishment of his brother-in-law Jang Song-thaek for a period of time when it appeared that Jang was accumulating too much power in his own right. Whether or not Kim had a master plan in mind to cultivate a non-family related successor over time, the stroke he experienced in August 2008 had the effect of forcing his hand and limiting his choices. The stroke also had the effect of requiring an accelerated approach to introducing an acceptable successor. Thus, the choice of the third son, Kim Jong-un. While lacking credibility or experience of his own, Jong-un has the hereditary lineage and, fortunately for him, physical similarities to Kim Il-sung. In the immediate aftermath of Kim Jong-il’s stroke, no one knew how much longer Kim would survive, thus the imperative of acting quickly to put in place a candidate that would have a certain level of backing from those loyal to Kim.

By the end of 2010, Kim Jong-il appeared to have recuperated significantly enough and while the question of his longevity could not be predicted accurately at that time, the process of grooming Kim Jong-un took on a more deliberate pace. The accelerated campaign to provide Kim Jong-un with instant credentials and the deliberate placing of Kim loyalists in key positions of power has worked so far. At the beginning of the process following Kim’s stroke, conventional wisdom would not have bet that Kim Jong-un would be able to successfully succeed his father. There is no accepted practice of hereditary transfer of power in Socialist countries, particularly not to a third generation. The exception has been North Korea and success was by no means guaranteed. When Kim Jong-il came to power on July 8, 1994, he had been groomed as the officially designated heir for twenty years and by most accounts was already running the country day-to-day, yet he believed it both prudent and necessary to consolidate his power over a three-year period. As mentioned before, this relatively low-profile transition can also be viewed as evidence of confidence in a level of control and leadership which transcends titles. The prospect that a third generation Kim, without sufficient preparation, could take on the mantle of leadership without challenge defied common sense. While the efforts to assure a smooth transition have been extensive thus far, the fate of Kim Jong-un remains unsettled. In some respects, now that the funeral is over, loyalties have been declared, and titles conveyed, the real test is just beginning as Kim Jong-un will eventually have to make decisions and exercise the authority he has apparently been granted.

By examining the publicly announced outings by Kim Jong-il over a ten-month period beginning on September 1, 2010 (prior to the Party Congress), an interesting hierarchy has taken shape. In that period, Kim Jong-il made 103 appearances. Kim's brother-in-law, Jang Song-thaek, was listed seventy-seven times as accompanying Kim Jong-il. Of those, he was ranked ahead of Vice Marshal Ri Yong-ho on only one occasion (September 9, 2010). At that time, Jang Song-thaek held the position of Vice Chairman of the National Defense Commission. However, when Ri Yong-ho was promoted to vice marshal and NDC Vice Chairman on September 27, 2010, he began being listed ahead of Jang Song-thaek—indicating he was the more senior vice chairman. From September 29, 2010 until early February 2011, Ri Yong-ho was listed before Kim Jong-un. The *Chosun Ilbo* reported on February 16, 2011 that Kim Jong-un had been designated a vice chairman of the NDC—an appointment that needs ratification by the Supreme People's Assembly. While there has been no such notice by the Korea Central News Agency, Kim Jong-un consistently has been listed first (ahead of Ri Yong-ho and Premier Choe Yong-rim), an indication of Kim Jong-un's status regardless of his formal position within the NDC. Also, it may well have been a forewarning that Kim Jong-un's power would not emanate from the NDC, but ultimately through the Korean Workers Party. In the year since the *Chosun Ilbo* article, Kim Jong-un continued his preeminent position ahead of Ri Yong-ho at public outings without any additional public reference of a promotion or appointment to the NDC.

Analytically, the rejuvenation of the Worker's Party of Korea as a source of legitimacy and power was a necessary counterweight to the all-powerful military and the National Defense Commission.¹ At the Party Congress held in late September 2010, Kim Jong-il appointed his son as vice chairman of the Central Military Commission, and promoted his cousin, First Vice Minister Kang Sok-ju, to Deputy Premier and a member of the Politburo. Kim's sister, Kim Kyong-hui, along with Kim Jong-un was made a four-star general. Consequently, Kim Jong-un has formal ties and senior positions within both the WPK and the military and theoretically has corresponding protectors in each. This power base associated with the WPK and linkages to the military through Central Military Commission was reinforced when Jang Song-thaek was seen shortly after the death of Kim Jong-il in uniform for the first time with the rank of full general. Conceptually, Kim Jong-un has authority stemming from his bloodline to his grandfather, Kim Il-sung, and the Worker's Party of Korea even as he continues to build his credentials with the military. This is critical in the short-run. From a military hierarchical point of view, Kim Jong-un is a political appointee who has been imposed upon a seniority-conscious system that currently enjoys premier status within the country. While it is difficult to draw clear distinctions between the military and the party, there is considerable overlap in the leadership of both. One of the credible scenarios following the stroke of Kim Jong-il in August 2008, when an heir had not yet been announced, was that the military, perhaps using the structure of the NDC, would take control of the government following the demise of Kim Jong-il. That scenario will remain a plausible possibility until Kim Jong-un is fully accepted within the military as the legitimate leader of North Korea. And that probably will not fully be known until months if not years after he assumes the chairmanship of the

NDC. Here, however, it is useful to remember that the NDC itself was a vehicle largely constructed by Kim Jong-il and there is no guarantee that Kim Jong-un will use the same structure.

The provocative events of 2010 were seen by some as an effort to build the military legend of Kim Jong-un. Shortly after the Cheonan and Yeonpyeong-do attacks, rumors abounded within North Korea that Kim Jong-un had been given credit for planning and ordering the two incidents. Reports that Kim Jong-il and Kim Jong-un had visited the military district from whence the shelling of Yeonpyeong-do took place in the days before the attack would seem to give some weight to these rumors. Still, it is highly unlikely that Kim Jong-un, who has no military experience, was involved in any meaningful way, but the fact that he may have been assigned credit is consistent with an internal concern that Kim Jong-un might not be readily accepted by the military as its leader. At any rate, the events of 2010 were extreme and are hopefully not likely to be repeated anytime soon. As might be understood, however, much of the concern surrounding the transition in Pyongyang has focused on the presumption that as a new and untested leader, Kim Jong-un may be inclined toward provocative actions to shore up domestic support. While certainly possible, the far more likely scenario is that North Korea will conduct tests related to its missile or nuclear weapons programs which, although they may be driven by the internal timing and demands of those programs, the outside world is likely to perceive as provocative. Another short-term concern will be how the new leadership in Pyongyang reacts to long-planned and rather pro-forma U.S.-ROK joint military exercises, which the North has always viewed as provocative, but which to date they have only responded to with rhetoric. The question will be whether Kim Jong-un will have the capacity to calibrate a response.

Just as Kim Jong-il was apparently uncomfortable and uncertain about publicly exercising his own authority immediately after the death of Kim Il-sung, Kim Jong-un will hopefully be even more conscious of his own power base as he is given more and more titles in the process of assuming full leadership of the country. On December 31, KCNA reported that Kim Jong-un has assumed the “Supreme Commandership” of the Korean People’s Army at the behest of leader Kim Jong-il on October 8, 2011, attempting to create the allusion that Jong-un had been promoted by a living Kim Jong-il.² With renewed emphasis on the WPK, Kim Jong-un will have a level of theoretical power but it will be important to watch how the military reacts when future crises confront the new supreme leader.

Kim Jong-il was very careful to cultivate a loyal base of power by catering to the military. His *songun* (military first) policy inculcated in society the legitimate place of the military as the protector of the nation. The revision of the constitution and the establishment of the National Defense Commission as the preeminent organizational authority ensured the continued dominance of the military as the sole center of power. In the New Year’s Day Joint Editorial in January 2009, the first following Kim Jong-il’s stroke, “*songun*” was mentioned twenty-six times—about twice as much as it was mentioned in 2010, 2011 and most recently in 2012. In practical terms, the military has been relatively pampered. It enjoys

significant privilege among its senior members. In reporting by KCNA on Kim Jong-un's assumption of Supreme Commander, it noted, "His assumption of the supreme commandship provides sure guarantee for glorifying the great exploits performed by Kim Jong-il for the army building and carrying forward the cause of the *songun* (military-first) revolution generation after generation." This is an important reality to understand as we contemplate what change in North Korean leadership means now that Kim Jong-il is dead. Even if everything goes according to Kim Jong-il's desires, a young Kim Jong-un will need the actual and behind the scenes support of the military if he is to survive the inevitable challenges that leadership brings with it. The prospect that either Kim Jong-un or the military would voluntarily entertain serious reforms following the death of Kim Jong-il is slight. The Joint New Year's Editorial had a single sentence that was meant to emphatically convey that no change would be forthcoming: "The dear respected Kim Jong-un is precisely the great Kim Jong-il."³ The military elite thrive on their special status. Meaningful reform would threaten that existence. The near-term political health of Kim Jong-un will depend in large measure on how well Vice Marshall Ri Yong-ho and other leading military supporters of Kim Jong-un are able to deliver the long-term loyalty of the military. Before skeptics scoff at the prospects of a disloyal element within the military, it would be beneficial to remember the circumstances that led to the disbanding of the Army's Sixth Corps during the early years of Kim Jong-il's tenure. The prevailing analytical view just before the fall of Ferdinand Marcos was that there would not be a military coup because the Philippines did not have a history of military coups. Once the first one occurred, Philippine history was replete with them.

In April 2009, when the DPRK constitution was revised, the principle of military first was raised to the same level of importance as *juche*. The other significant change affecting the military was an addition to its mission statement. Article 59 now begins: "The mission of the armed forces of the DPRK is to carry out the military-first revolutionary line in order to protect the nerve center of the revolution..." In other words, the role of the military is to protect leader (then, Kim Jong-il) and sustain itself. Safeguarding the interests of the working people was relegated to a lesser importance. The 2009 Constitution also contains a new section regarding the Chairman of the National Defense Commission. The chairman of the NDC is constitutionally designated the "supreme leader (*ch'oego ryo'ngdoja*) of the DPRK." Ken Gause, an expert on DPRK leadership, in a blog for the Korea Economic Institute on January 3, 2012, raised an interesting issue to follow:

The role of Supreme Commander (*Choson inmin'gun ch'oego*) raises an important question. Will Kim Chong-un be made chairman of the National Defense Commission, a post that is responsible for commanding the armed forces (i.e., the Supreme Commander)? Although the North Korean media called for Kim Chong-un to assume the role of Supreme Commander, it has been mute on the post of NDC chairman. The regime may choose to leave the NDC post vacant. Much as Kim Il-sung became the eternal president,

Kim Chong-il might become the eternal head of the NDC, an organization that embodied his leadership era. This scenario might have been tipped by the fact that at least one, if not more, of the funeral events have been handled by Chon Hui-chong, the protocol director for the NDC. This suggests the possibility that the NDC apparatus is already acting in the service of the Party's CMC.⁴

Kim Jong-il's 2008 stroke had profound effects. The lack of a designated heir led to an accelerated effort to protect the legacy and future of the Kim family. This was done by placing key family members and loyalists in critical positions. Jang Song-thaek and his wife, Kim Jong-il's sister, have been promoted and placed in top echelons of government. Jang and his wife were almost always at Kim Jong-il's side when he forayed out in public. The institution of the military and the military-first policy has been codified as the single most important element in society. Select generals, loyal to Kim, are in controlling positions within the WPK and the Politburo. Up until now the National Defense Commission and its chairman were the center of power in North Korea, but with the death of its chairman and no particular effort to publicly reaffirm its practical power, its status is questionable. In the absence of a chairman, the role of the four vice chairmen should become more important. Two of the vice chairmen are in their eighties, another is seventy-six. The fourth is Jang Song-thaek who turns sixty-six in 2012. A case can be made that actual power will emanate from the military component of the WPK—the Central Military Commission. This scenario has Jang Song-thaek, NDC vice chairman, acquiescing to the shift in power and Vice Marshal Ri Yong-ho supporting it from his position as CMC vice chairman.

THE CHINA FACTOR

In late May 2011, Kim Jong-il made an extensive visit to China, his third in the span of one year. Kim's visit took him to Mudanjiang, Changchun, Yangzhou, Nanjing and Beijing. It appears that Kim had two reasons for making the trip, both related to succession. By firmly establishing his interest in China's remarkable economic achievement, he signaled to his posterity a usable rationale for pursuing economic development and reform after his death much in the same way Kim Jong-il was able to say that denuclearization was his father's dying wish. It was difficult for the military to challenge the wishes of the founding father and it also served as a ready response to outsiders who challenge Pyongyang's sincerity with regard to denuclearization. Secondly, it reinforces with China's leadership that there is still hope that North Korea will follow China's economic development model. This latter is particularly important in that it provides Pyongyang with continued Chinese support in the short-term and works in favor of Beijing's longer-term support of Kim Jong-un—especially if Beijing believes Kim Jong-un is likely to carry out his father's goals of economic revitalization. At the same time, the Chinese leadership has made it abundantly clear, that as much as they might wish for North Korea to follow the Chinese path of economic reform and opening, their first priority is the stability of North Korea.

REGIME SURVIVAL AT RISK

North Korea has survived on a strict concept of one-man authoritarian rule. Kim Il-sung eliminated rivals and tolerated no dissent. Kim painstakingly ensured his son learned the art of iron-fisted leadership over a twenty-year period. Even then, when Kim Il-sung died in July 1994, there were concerns that Kim Jong-il might not survive. But at age fifty-two and twenty years of practical experience under his belt, he took three years to fully consolidate his power base and then autocratically ruled for the next eleven years until his stroke in August 2008. Facing his own mortality, Kim Jong-il began a hasty and accelerated plan for succession. He settled on his then twenty-five-year-old son as his successor. Finding the prospect of success low, Kim expanded the National Defense Commission (the ruling body) and named his brother-in-law first as a member and then later as a vice chairman. Kim appointed his sister and son a four-star general and began the process of revitalizing the Korean Workers Party as a counterweight to the military. Analysts predicted that the process would succeed only if Kim Jong-il lived long enough to cement the paper thin credentials he had bestowed upon his son, Kim Jong-un. For much of the three years since Kim Jong-il's stroke, the basic equation has remained unchanged; the longer Kim Jong-il lived, the greater the prospects for a smooth and successful transition; the more abrupt and sudden his demise, the less likely that a succession would hold. In the end, Kim Jong-il was unable to escape the frighteningly accurate math of actuarial tables, which predicted that a man of his age, health and habits was highly unlikely to live another five years after a stroke. We are left then with a scenario in which Kim Jong-il lived long enough to ensure that the succession would take place. What remains to be seen is whether he lived long enough to ensure that it would last.

The consequences for Kim Jong-un because of his father's abrupt death may be dire. He has virtually no practical experience, no individual power base and a system newly designed to weakly function after Kim Jong-il as check and balance between the military, the party and a regent (Jang Song-thaek). The problem is that Kim Jong-il elevated the military through his Military First Policy to the point where it is THE power in North Korea, and efforts to share power can only come through the diminution of the military—something it will not accept in the mid-to long-term. With Kim Jong-un having been given apparent authority so quickly, an early test will be what happens when he begins to exercise that authority, particularly if it is a direction opposed by members of the military.

As we are seeing it play out, there will be a natural and short-lived period of public unity in the aftermath of Kim's death. However, the consolidation of power and the maneuvering that is going on behind the scenes will come to the surface—probably shortly after the April 15 celebrations of Kim Il-sung's 100th birthday. At some point the military will challenge the right of Kim Jong-un to rule, wondering what added value he brings. Objectively, Kim Jong-un is in power because of his royal bloodline. If the military finds Kim Jong-un no longer useful as the public face of continuity of the Kim dynasty, it is possible that he too will vanish from public view.

The most likely scenario, then, over the near-term is for a weak, unprepared, and unacceptable Kim Jong-un to continue the formal transition to select positions of power. Because of his absolute dependence upon the military, he will not have the ability to attempt any reforms that the military finds risky or threatening to their supreme position within society. That means he will not be able to seriously engage the West in denuclearization negotiations, which will result in a continuation of regional and international economic and diplomatic isolation. Kim Jong-un's practical choice will be to govern in a status quo manner. He will, in effect, command a sinking ship. As the situation inevitably deteriorates, the military will be tempted to take things in their own hands, relegating Kim Jong-un to a powerless figurehead.

IMPLICATIONS

The leadership change that is taking place in the DPRK is likely to be turbulent at some point and may be the precursor of the end of the Kim regime that has ruled the DPRK for over sixty years. This has serious implications for China, South Korea and the United States. The year 2012 would have been critical even without the death of North Korean Leader Kim Jong-il as leadership change in a number of countries is scheduled to take place. Relationships were bound to be modified; new leaders tested and new policies enacted; initial year posturing by countries for which campaign promises are the metric for early evaluation. The sudden imposition of Kim Jong-un as the leader of an immature nuclear state with a history of military provocations and critical economic shortcomings is bound to have a compounding effect on the nature of regional leadership changes.

Implications for the United States: For the United States, Kim Jong-il's death came just as a small opening was appearing after several years of diplomatic stagnation. For a number of years Donald Zagoria of the National Committee on American Foreign Policy (NCAFP) has hosted a senior level Track 1.5 roundtable discussion involving either North Korean Vice Minister Kim Gye-gwan or Ambassador Li Gun and a number of prominent former American officials. The North Koreans have found these sessions to be useful because of the seniority of American participants and seek to attend when invited. The Department of State was able to parlay a request for visas to attend an early August 2011 session into actual leverage that required the North Koreans to first engage with their South Korean counterparts in Bali on the margins of the ASEAN Conference in July. That meeting led the State Department to issue visas for Kim Gye-gwan to attend the NCAFP meeting and the first face-to-face meeting between North Korean and U.S. government officials in the United States during the Obama administration.

In turn, a second North-South meeting was held in Beijing in late September followed by the second North Korea-U.S. meeting held in Geneva in mid-October. To be sure these meetings were likely more tactical for both Pyongyang and Washington. North Korea was under serious pressure from both Russia and China to return to the Six-Party Talks and, for its part, Washington needed to demonstrate clearly to China and Russia that the United States was not the

obstacle in the process and that it was willing to engage with North Korea as long as Pyongyang demonstrated some “seriousness of purpose.” Still, this series of exchanges had the promise of moving the process back towards a restart of the Six-Party Talks, which had been suspended since late 2008. U.S. Special Envoy for Human Rights Bob King met with North Korean Director General for American Affairs Li Gun in Beijing on the two days prior to Kim Jong-il’s death. Press speculated that a deal had been reached that would have provided North Korea with 20,000 tons of “nutritional assistance” each month for a year in exchange for Pyongyang’s suspension of its uranium enrichment program and reentry of International Atomic Energy Agency inspectors. Additionally, U.S. Representative for North Korea Policy Glyn Davies was reportedly preparing to meet with First Vice Minister Kim Gye-gwan the following week.⁵

Kim’s death on December 17 put this possible breakthrough on hold. The North Korean New Year’s Day Joint Editorial used language that was meant to signal to the outside world that its new leader should be seen as natural continuity from Kim Il-sung to Kim Jong-il to Kim Jong-un. That suggests that, at some appropriate point, just as it happened after the death of Kim Il-sung in 1994, North Korea will emerge from its period of mourning and reengage the United States. What we do not know is how the powers behind Kim Jong-un will react. Does continuity really mean continuity or will new challenges mean the opportunity for fissures to emerge?

We got a glimpse of what the answers may be when Pyongyang contacted the United States with a request to continue the discussions cut short by Kim Jong-il’s death. That reengagement led to what is being called the “Leap Day” agreement in which North Korea “upon request by the U.S. and with a view to maintaining positive atmosphere for the DPRK-U.S. high-level talks, agreed to a moratorium on nuclear tests, long-range missile launches, and uranium enrichment activity at Nyongbyon and allow the IAEA to monitor the moratorium on uranium enrichment while productive dialogues continue.”⁶ Unfortunately, Pyongyang publicly announced its intention to launch a satellite during the celebrations for Kim Il-sung’s 100th birthday on April 15. Initially, some analysts concluded that the announcement, which would violate UN Security Council resolutions and the Leap Day agreement, was an early indication of a power struggle behind the scenes in Pyongyang. However, information is coming to light that indicates that North Korean negotiators reminded the United States of its interpretation of the difference between an intercontinental ballistic missile (weapon) and a space launch vehicle, which it has the sovereign right to launch. If the latter proves true, it will mean that there is no visible infighting over this issue at this time.

Given that 2012 is an election year in the United States, a launch of a satellite will be met by an angry reaction by the United States and its allies. During the course of a joint press conference with President Lee Myung-bak at the Blue House in Seoul in November 2010, President Obama was asked about the prospects for the Six-Party Talks. He responded that “...there will be an appropriate time and place to reenter into six-party talks. But we have to see a seriousness of purpose by the North Koreans in order to spend the extraordinary time and energy

that's involved in these talks.”⁷ During an election year the “extraordinary time and energy” to which President Obama referred will also include attempting to overcome strong congressional criticism of North Korea and the possibility that the issue could become politicized in the course of the campaign. There may also be new hurdles to overcome such as the January 5th Statement by the Committee for the Peaceful Reunification of Korea carried in KCNA: “As recognized by the world, the DPRK is a full-fledged nuclear weapons state and its nuclear deterrent is the revolutionary heritage which can never be bartered for anything.” While this was issued as a response to President Lee Myung-bak’s New Year’s address, running such statements in KCNA does not seem to indicate a “seriousness of purpose” or a short-term return to the Six-Party Talks.

Implications for South Korea: For South Korea, however awkwardly their initial interaction with the new regime started, the death of Kim Jong-il means both the potential for political intrigue in their April 2012 National Assembly elections and the December 2012 presidential election and also, hopefully, the relief from North Korean military provocations, at least in the short run. A satellite launch will only reaffirm the worst suspicions about North Korea’s intentions.

When compared with the reaction of the ROK President Kim Young-sam to the death of Kim Il-sung, the Lee Myung-bak administration’s response to Kim Jong-il’s death was the picture of reserve and moderation, but the constant stream of invective and vitriolic directed at President Lee and his “gang” in the last few weeks gives little hope for meaningful progress in inter-Korean relations during the remaining months of the administration. What remains to be seen, however, is what effect the North Korean stance will have on public opinion in South Korea and thus on the upcoming South Korean elections.

Already Grand National Party leader and possible presidential candidate Park Geun-hye has sought to distinguish herself from President Lee with a more nuanced approach to North Korea and that is to say nothing of the more progressive side of the spectrum, which has bemoaned the deterioration in inter-Korean relations over the past four years. Still, the lessons of 2010 and the strong public reactions to the sinking of the Cheonan, and particularly to the shelling of Yeonpyeong-do will not fade quickly. As long as there are no further clashes, it is likely that South Korea’s approach toward the North will continue to moderate and that a change in policy toward North Korea will be part of the political debate during the election. However, should there be another incident, it will almost certainly further harden South Korean public opinion, that is if a strong South Korean response and further escalation can be avoided.

Implications for China: While it is difficult to make the case that the transition in North Korea, or any external factor for that matter, will make a difference in the political transition in China in 2012, China has already arguably been the country most affected by the succession process in North Korea. For the better part of a decade, cooperation on North Korea was a primary public justification in Washington for the importance of U.S.-China relations. However, beginning with Kim Jong-il’s stroke and growing Chinese concerns about the potential for

instability in North Korea, China has reverted to a much more traditional stance in support of the Kim regime in Pyongyang and in so doing undermined and strained its relations with both Seoul and Washington.

Of course China has never abandoned its erstwhile ally. Yet during much of the 2000s China played an important role in the Six-Party Talks in an effort to curb North Korea's nuclear program. The Chinese leadership arguably maintained a "three no's" policy toward North Korea—no nukes, no collapse, and no war—and they tried to maintain a balance between the three priorities. As Kim Jong-il's health deteriorated, however, China began to place ever greater priority on avoiding instability in North Korea at all costs...even if it meant supporting a third generation hereditary succession which was anathema to communist ideology and China's own policy. This decision to be more proactive in backing Kim Jong-il appeared to move into full force in the early fall of 2009 when China backed away from implementing sanctions it had agreed to after North Korea's second nuclear test a few months before. Even after the sinking of the Cheonan, China opted to double down on its bet on Kim Jong-il and resist attempts to censure or punish North Korea for this act...something that some in the U.S. considered "enabling behavior" which might have contributed to the North's shelling of Yeonpyeong-do in November of 2010.

While China again blocked any meaningful international response to the Yeonpyeong-do shelling, when President Obama and President Hu Jintao met in Washington in January of 2011 it did appear that China may have been willing to recalibrate its support for North Korea. While it may seem arcane, there was some cause for optimism in how the issue was framed in the joint statement issued at the conclusion of their January summit. While there was but a single paragraph's reference to Korea in that statement, it contained both a clear reference to the uranium enrichment facility and the broader strategic context:

The United States and China agreed on the critical importance of maintaining peace and stability on the Korean Peninsula as underscored by the Joint Statement of September 19, 2005 and relevant UN Security Council Resolutions. Both sides expressed concern over heightened tensions on the Peninsula triggered by recent developments. The two sides noted their continuing efforts to cooperate closely on matters concerning the Peninsula. The United States and China emphasized the importance of an improvement in North-South relations and agreed that sincere and constructive inter-Korean dialogue is an essential step. Agreeing on the crucial importance of denuclearization of the Peninsula in order to preserve peace and stability in Northeast Asia, the United States and China reiterated the need for concrete and effective steps to achieve the goal of denuclearization and for full implementation of the other commitments made in the September 19, 2005 Joint Statement of the Six-Party Talks. In this context, the United States and China expressed concern regarding the DPRK's claimed uranium

enrichment program. Both sides oppose all activities inconsistent with the 2005 Joint Statement and relevant international obligations and commitments. The two sides called for the necessary steps that would allow for early resumption of the Six-Party Talks process to address this and other relevant issues.

Of note, in this short statement, the September 19, 2005, joint statement of the Six-Party Talks was mentioned three times. Such a reference to an obscure unimplemented agreement of talks that increasingly appeared defunct may seem a bit odd. However, one of the fundamental challenges of dealing with North Korea has been its frequent and continued assertion that it is a nuclear power and must be dealt with as such. When North Korea makes vague references to its support of denuclearization, its definition of denuclearization should be clarified and challenged. The apparent North Korean interpretation is that, as a nuclear power and an equal with the United States and the other nuclear powers in the world, it is willing to discuss the denuclearization of the Korean peninsula, including the removal of the U.S. nuclear umbrella, the end of the U.S.-ROK alliance, and overall global disarmament of other nuclear powers' positions. This interpretation understandably does not accord with that of the United States, China, any other member of the Six-Party Talks, or ostensibly any other signatory of the Nuclear Nonproliferation Treaty (NPT) from which North Korea is the only country in history to withdraw. As such, a clear reference to the September 19, 2005, joint statement in which North Korea committed to "abandoning all nuclear weapons and existing nuclear programs and returning, at an early date, to the Treaty on the Non-Proliferation of Nuclear Weapons and to IAEA safeguards" helps set a clear definition of what the United States and China now jointly mean when they referred to "denuclearization" including the denuclearization of the Korean peninsula. Related to this is the question of the parameters of the Six-Party Talks. With the September 19 joint statement, the Six-Party Talks are now more than format, but also have function and content. Given that in the joint statement "the Six Parties unanimously reaffirmed that the goal of the Six-Party Talks is the verifiable denuclearization of the Korean Peninsula in a peaceful manner," by focusing upon this joint statement the United States and China once again jointly defined the parameters of—and indirectly a core requirement for—the resumption of the Six-Party Talks. Also of note, the January 19, 2011, Obama-Hu joint statement placed U.S. and Chinese "concern regarding the DPRK's claimed uranium enrichment program" clearly in the context of the September 19, 2005 joint statement.

Despite this agreement, Chinese support for the Kim regime intensified over the course of 2011. Some would argue that such support stems from the fact that China's relationship with North Korea is handled on a party-to-party basis rather than by the Foreign Ministry in Beijing. Another possible interpretation is that the dramatic changes in the Middle East manifest in the Arab Spring unnerved the Chinese leadership and made them even less inclined to consider the possibility of instability in their long-standing ally in North Korea. Whatever the cause,

China has reassumed its long-standing role as North Korea's primary patron and protector and if the events of the last month are any indication, that is not an approach that is likely to change any time soon.

CONCLUSIONS/LONG TERM IMPLICATIONS

Despite the short-term uncertainties and the increased risk of instability associated with the passing of Kim Jong-il, in the long run his demise must be seen as a positive development for the Korean peninsula as a whole. Whatever expectations may have existed when he assumed power from his father in 1994, in the last few years it became increasingly apparent that as long as Kim Jong-il was alive it was almost impossible to imagine North Korea pursuing fundamental economic opening and reform, abandoning its nuclear ambitions, or reconciling with South Korea. There is of course no guarantee that any of the above will be possible under Kim Jong-un either. In some respects, the passing of Kim Jong-il is the classic "necessary" but not "sufficient" condition. While real change may yet be unlikely as long as the Kim family and the current regime are in control in North Korea, with the ongoing transition in Pyongyang we are at least one step closer to change of one form or another.

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Japanese Politics, the Korean Peninsula, and China

KAZUHIKO TOGO

The year 2011 closed with several symbolic events in predicting Japan's relations with the Korean peninsula. When President Lee Myung-bak held summit talks with Prime Minister Noda Yoshihiko on December 17-18, contrary to some media anticipation in Japan, the meeting was dominated by the comfort women issue. Lee urged Noda "to have real courage in order to resolve the comfort women issue with high priority."¹ All of the December 19th morning newspapers were filled with the comfort women issue, but then at noon, North Korean television broadcast announced the death of Kim Jong-il and the succession of Kim Jong-un. All television and newspaper coverage from the evening of December 19th became dominated by this news, brushing aside the tense meeting between Noda and Lee. As if to symbolize the critical role which China might play on this issue, at the December 5, 2011 Japan-China summit in Beijing, other than issues centered on bilateral relations, the North Korean issue alone appears to have dominated the foreign policy agenda. The power succession in North Korea and its implications for the security situation in Northeast Asia have deep repercussions for Japanese politics toward the peninsula.

This paper analyzes first the fundamentals of Japan's politics under Noda, then his basic foreign policy, particularly in regard to the major issue in the region, the rise of China. In the next sections it scrutinizes Noda's policies toward South and North Korea respectively, considering China's role in each relationship. A brief conclusion explores future leadership change and possible repercussions on foreign policy.

FUNDAMENTALS OF THE POLITICAL SITUATION UNDER PRIME MINISTER NODA

Noda's position has to be judged against the backdrop of the overall post World War II Japanese political situation. Japan's economic and political development was ensured under the reign of the Liberal Democratic Party (LDP), which was formed in 1955. The "System of 55," as it was defined from this foundational year, put Japan's development in the hands of three cooperating forces: 1) the LDP, whose factional politics kept its leadership (except for a three-year interregnum from 1993 to 1996) stable; 2) an able bureaucracy, which functioned also as a set of think tanks; and 3) forward-looking and creative business leaders, who strengthened their production on a global scale. This allowed Japan to achieve its economic miracle in the 1960s, to overcome two oil crises in the 1970s, to astonish the world with its economic bubble of soaring land prices in the 1980s, and to establish Japan as an unmistakable economic giant, second only to the United States, at the end of the Cold War in 1989.

Japan's success story began to wane from the early 1990s, by the bursting of the economic bubble, the failure of political reform in the mid-nineties, and the weakening of the bureaucracy's authority through successive monetary scandals and indecisive foreign policy, which could not resolve any of the outstanding major issues from the legacy of the war. By the end of the 2000s the resulting incapacities resulted in three major social problems which were eroding the fundamental structure of Japanese society: 1) drastic change into the most aged

society in the world and failing social and economic policies to meet this change; 2) increased national debt due to continuous overspending in proportion to tax revenue; and 3) failed economic reform which satisfies neither the need for sound competitiveness nor the need for a stable social safety network. Japan was left adrift, having lost clarity about its national objectives.

In 2009, finally the System of 55 collapsed and the Democratic Party of Japan (DPJ) replaced the LDP. It first gave the impression that it aims for a very different society, domestically, with its slogan of “from concrete to human beings” backed by a policy of “encouraging births with special children’s allowances” and in foreign policy, with plans for “creating more equal relations with the United States.” Japan’s development had been driven for decades by Tanaka Kakuei’s policy of “Rebuilding the Japanese Archipelago,” as declared in 1972. The gist of that policy was to expand the industrial success of the 1960s centered on the Tokyo-Nagoya-Osaka megalopolis to the rest of Japan, transforming Japan into a one-day economic and transportation zone, where Tokyo would play the central role. Discrepancies between cities and countryside, between the Pacific side and the Japan Sea side would vanish. This would be ensured by massive public investments to construct infrastructure all over Japan, including roads, railways and bullet trains, super highways, ports, dams, and massive apartments. Local cities rapidly began to change into mini-Tokyos.

“From concrete to human beings” implies a rejection of economic development led by massive public investment. Less public investment can decrease the national debt, more human-friendly policies can ensure the social safety network, more ecologically-friendly priorities can not only satisfy material welfare needs but also lead to spiritual happiness and contribute to a vision of society which values children and old people. These were the directions envisioned in the new government’s development policy in December 2009.² But then Prime Minister Hatoyama Yukio lost his footing in relations with the United States over relocating the Futenma base to Henoko in Okinawa, leading to his departure. Disregard of the bureaucracy is considered to have been a critical factor in the failures of the DPJ.

Prime Minister Kan Naoto inherited Hatoyama’s policies with certain readjustments of election campaign slogans, for instance to ensure children’s allowances of five trillion yen, which is an extraordinarily high sum in an overall budget of ninety-two trillion yen for the 2011 fiscal year budget. But then 3/11 happened, and Kan’s cabinet grappled with the calamity caused by the tsunami and the Fukushima nuclear disaster. Kan had to leave office primarily because of leadership failure, i.e. the inability to establish drastic policies based on consensus in this crisis atmosphere.

Noda replaced Kan, increasingly making his policy objectives clear. First, Noda obviously had to overcome the aftermath of 3/11, tackling this issue with typical bureaucratic consensus building. This requires time, a phenomenon suitable in normal circumstances but not so adequate in an extraordinary situation. Established only on February 10, 2012, the Reconstruction Agency was immediately criticized as weak and incapable of transferring power from the existing ministries.³ A year after the catastrophe the fact that only 5% of the rubble had been cleared is

indicative of the substantial obstacles still in the way of reconstruction.⁴ Second, Noda, who moved from the position of Minister of Finance, increasingly made clear that his major policy objective was to resolve two of Japan's most serious social and economic problems, i.e. the accumulating national debt, tantamount soon to 1,000 trillion *yen*,⁵ and the collapsing social security network in an era of drastically aging society through implementation of unified reform of the consumption tax and social security system. On February 17, 2012, Noda's cabinet adopted the Basic Plan of Unified Reform, elevating the current consumption tax of 5% to 8% in April 2014 and 10% in October 2015 and assigning the increased tax revenue to social security.⁶ The appointment of Katsuya Okada to the post of vice-prime minister on January 13, 2012 is understood to have reinforced the cabinet to implement this unified reform of tax and social security.

Third, to achieve these major objectives, Noda seemed to have renewed reliance on the bureaucracy, substantially pulling back from the slogan of "from concrete to human beings." The 2012 budget resumed the construction of large-scale public works such as suspended dams or bullet trains, a policy which could well be at odds with the goal of prioritizing the reduction in expenditures.⁷ In December 2011, Noda issued a strategic policy document, "The Basic Strategy of Japan's Reemergence: Overcoming the Crisis and Challenge to Frontiers."⁸ It outlines four major tasks: (1) reemerging from the nuclear disaster; (2) achieving both economic growth and reduced budgetary deficits; (3) strengthening Japan's capacity to reach economic and social frontiers; and (4) meeting the challenge of new global and regional frontiers as a long-term objective. Although some ideas developed by the DPJ are grouped under the third and fourth tasks, nowhere can we find clarity on what are meant to be the to be the main policy objectives.

THE RISE OF CHINA

If one chooses one issue of critical importance in today's East Asia, it is probably axiomatic to say that it is the issue of the "rise of China," combined with the countering policy advanced by the United States. Japan is trying to define its position between these two gigantic torrents. The phenomenon of China's rise began in 1978 under Deng Xiaoping's policy of "reform and opening." It took the very clear direction of opening the economy but preventing the dilution of the Communist Party's power, as shown in Tiananmen Square in 1989. After Deng's acceleration of the economic opening with his southern tour in 1992, the true impact of China's economic, political, and military rise began to be acutely felt from the second half of the 1990s. During the 1990s, Japan's China policy looked reasonably successful in establishing cooperative relations, symbolized by the relative "understanding" it showed in comparison to how the United States handled what had happened in Tiananmen. The Emperor's visit in 1992, the Murayama statement in 1995, the launching of ASEAN+3 (APT) in 1997, and the Japan-China-Korea trilateral dialogue in 1999 were all considered steps beneficial to bilateral relations. But Prime Minister Koizumi's yearly visit to the Yasukuni Shrine undermined the fundamental trust and leadership dialogue between the two countries in the first half of the 2000s. This was particularly regrettable in light of the "new thinking" regarding China's policies

toward Japan expressed by Chinese academics in the initial period after Hu Jintao assumed the post of General Secretary in November 2002. Upon the succession by Abe as prime minister in 2006, relations began to normalize through policy changes on both sides, and this basic trend continued during the tenures of the following three, short-lived LDP prime ministers.

From 2009, just at the time the DPJ assumed power and when both sides were still expressing support for tension-averting policy, tensions arose anyway as a result of China's growing naval power. While Northeast Asia was no exception, the South China Sea was in the forefront. At the July 2010 ASEAN Regional Forum (ARF), for the first time there was open contention between China, on the one hand, and the major maritime ASEAN countries supported by the United States and Japan, on the other.⁹ At the following ARF meeting a year later the tension continued.¹⁰ In this environment the DPJ first strove to maintain a China-friendly policy. Hatoyama emphasized the notion of an East Asia Community, although it mirrored the theme of pan-Europeanism, the key concept that his grandfather Hatoyama Ichiro had advocated in the wake of World War II, and proved to be devoid of content.

After Kan took office, Japan's policy toward China was shattered by the collision of a Chinese fishing boat with a Japanese coast guard vessel on September 7, 2010. To those who saw an alarmist trend in China's access denial policy in the South China Sea, the incident had to be instigated by a militant group, possibly within the PLA, which succeeded in derailing an agreement on joint excavation of oil fields in the East China Sea, which had been scheduled for signing in a few days in Beijing.¹¹ Whether this interpretation is correct or not, initial statements by the Kan cabinet to "handle this issue in accordance with Japanese domestic law" gave the impression, or possibly supplied the pretext, on the Chinese side to conclude that his cabinet relinquished the wisdom shared from the time of Deng Xiaoping to "let the future generation resolve the issue." China's reaction became vehement, and Kan's cabinet had to release the captain, leaving an impression that the Japanese government backed away due to Chinese pressure.

Whatever the interpretation of that incident, Kan took one of the most important decisions of his tenure by adopting the new National Defense Program Guideline on December 17, 2010, which defined China's threat as follows:

China is steadily increasing its defense expenditures. China is widely and rapidly modernizing its military force, mainly its nuclear and missile force as well as navy and air force, and is strengthening its capability for extended-range power projection. In addition, China has been expanding and intensifying its maritime activities in the surrounding waters. These trends, together with insufficient transparency over China's military forces and its security policy, are of concern for the regional and global community.

This guideline introduced the notion of a dynamic defense force, strengthened the Maritime Self-Defense Force (MSDF) and redeployed more of the Ground Self-Defense Force (GSDF) on the southern islands chain.¹²

Noda inherited this situation. The worst of the tension was over, the new defense policy had been established, and his primary mission became “not to rock the boat and to add as much positive momentum as possible.” He had once expressed in 2005 his view that “Class A war criminals were not war criminals,” but he immediately stopped expressing such views.¹³ In his visit to Beijing on December 25, 2011, Noda emphasized large-scale cooperation between the two countries and highlighted six initiatives as a comprehensive list of positive cooperation, which the two sides would eventually be able to advance.¹⁴ Although those initiatives clearly look positive, at closer examination there does not seem to be any substantive agreement.

In order to understand the gist of the JDP policy toward China, a brief analysis is needed on its policy toward the United States and the current status of Japan-U.S. relations. The LDP’s most successful foreign policy implemented after the Cold War was probably the one with the United States. Koizumi’s unambiguous support of the U.S. position after 9/11 and his personal relationship with George Bush marked the high water mark of this policy, and the policy continued under his three successors. Hatoyama’s drastic statements on relocating the Futenma base outside Japan or, at least outside Okinawa, shattered that foundation. Not only did Futenma become an impossible issue for all who cared about the relationship, but in conjuncture with his Asia friendly proclamation, it raised misgivings that Japan was shifting its cornerstone relationship from the United States toward China.

Kan, in a way, was fortunate to face the United States under the impact of 3/11, producing an atmosphere of extreme goodwill and massive U.S. assistance through Operation Tomodachi, which was truly appreciated across all layers of Japanese society. Noda inherited this positive atmosphere. Serious misgivings that Japan was turning from the United States to China had faded, partly due to the fishing boat collision of 2010. It was still necessary to do something about Futenma, and a first step may have been the announcement in February 2012 of the relocation of 4,700 marines first and the decoupling of the Futenma issue for the time being.¹⁵ Another decision affecting the fundamentals of Japan-U.S. relations was taken on November 11, 2011 with the decision to enter into negotiations for joining the TPP. Although Noda’s selection of two complete laymen, Ichikawa Yasuo and Tanaka Naoki, to serve as Minister of Defense surprised many, Noda has managed to keep U.S. relations on a rather even keel.

SOUTH KOREA

Japan-Korea Relations in Broad Perspective

There are strategic reasons why closer cooperation between Japan and Korea would be mutually beneficial. First, historically, Korea’s rapid rise in its economic and political power and Japan’s drift over the last twenty years resulted in leveling differences between the two countries, in particular in the economic arena. Professor Soeya Yoshihide’s groundbreaking proposal of a middle-power configuration for Japan and Korea increasingly has resonance in Japan. Second, socially and culturally, the two countries began to share the same social problems such as aging, immigration, and gender equality. The two countries increasingly

also share a common cultural understanding and even admiration, as seen in the Korean wave in Japan. Third, geopolitically, the most important factor is that the two countries are juxtaposed with China. Though one of them faces it across a land frontier (separated by North Korea) as well as across the sea, and the other only across the sea, both are directly affected by “China’s rise,” and thus have a common agenda, which is reinforced by the fact that both have been spokes in the U.S. “hub and spoke” system since the the Cold War.

Positive and creative ideas for cooperation are actually numerous:

(1) Overcoming poverty and insecurity for all individuals. Cooperation on ODA and human security could be a realistic objective. Overcoming global problems to achieve sustainable economic development, dealing with such matters as energy, the environment, global warming, and population issues is another area for cooperation.

(2) Creating a regional economic structure. Both Korea and Japan could obtain common benefits, and address common problems, on the one hand, from the creation of an East Asian cooperative structure through ASEAN+3 or +6, or on the other hand, by joining in wider Asia Pacific cooperation through the TPP and APEC. Korea has put into effect the KORUS FTA, whereas Japan has started on the path of joining the TPP. Both are faced with the challenge of overcoming a maze of networking and creating the most effective regional economic structure. As interest has intensified in the CJK FTA, the importance of coordination is further demonstrated. Since both are energy poor but high energy consuming countries, why can they not cooperate in creating a more effective regional energy network? Both have vital interest to preserve and strengthen agriculture not only for the sake of maintaining some indigenous food supply but also for the sake of maintaining landscape and scenery. Why cannot they cooperate in this area?

(3) Establishing a regional security architecture. Both are located in the shadow of a rising China, and both countries’ security is dependent on the United States. The fundamental resemblance of their security conditions is startling. The Japan-Korea-U.S. triangular cooperation is one concrete step forward, but is that all?

Japan-Korea Relations in Historical Perspective

Despite complex issues related to history, which keep tormenting bilateral relations, the LDP managed to gradually remove some of the heat from these issues. Some credit should be given to the continuous efforts from both sides to overcome the rift, but at the same time, Korea’s development into a rich, democratic, and culturally confident country was a large factor for closing the gap between the two countries. Particularly after it transformed into a country with a democratically elected civilian president (as of 1993) and reached the status of an advanced market economy (as was shown by its joining the OECD in 1996), this positive trend was enhanced. President Kim Dae-Jung’s groundbreaking visit in 1998, the joint holding of the World Cup in 2002, the unprecedented attraction of Korean culture in Japan from 2003-04 were all positive phenomena, bringing the two countries closer.

The DPJ government inherited this positive trend and carried it forward. Kan's August 10, 2011 statement on the occasion of 100 years of Japan's annexation of Korea was generally perceived as hitting the right tone. The key passage reads as follows:¹⁶

As demonstrated by strong resistance such as the Samil independence movement, the Korean people of that time were deprived of their country and culture, and their ethnic pride was deeply scarred by the colonial rule which was imposed against their will under the political and military circumstances....To the tremendous damage and sufferings that this colonial rule caused, I express here once again my feelings of deep remorse and my heartfelt apology.

The Takeshima/Dokdo Territorial Problem Haunting the Relationship

And yet, past history still haunts the two countries. In recent years the territorial issue around Takeshima/Dokdo, sometimes combined with the textbook issue in Japan, has become most critical. Particularly from March 2005, when the prefecture of Shimane announced its decision to make February 22 Takeshima Day and President Roh Moo-hyun declared "diplomatic war" against Japan, this issue has cast a shadow on relations, even during the period under President Lee Myung-bak from 2008.

For Koreans, this issue is more than a dispute over the ownership of islands, but a pivotal symbol of historical memory, pride, and identity. Takeshima became officially a part of Shimane Prefecture in 1905, five years before Japan formally annexed Korea. Koreans regard it as a precursor to the annexation; therefore, any defense by Japanese of Japan's ownership sounds as if justifying the Korean annexation itself and leads to an emotional outburst. In Japan the root cause of Korean emotionalism is little understood.

When any action in Japan on Takeshima results in an emotional explosion, the Japanese government finds it difficult to take meaningful action. Scholars and opinion leaders in the private sector might have a useful role to play by expressing divergent views, undertaking positivist surveys of historical records and engaging in genuine dialogue with Korean scholars to achieve mutual understanding.

The Japanese government's view on Takeshima has been explained on the MOFA home page, notably formulated in a pamphlet "Ten Issues of Takeshima" published in 2008.¹⁷ The scholar who most actively supports this official position recently is Shimojo Masao.¹⁸ Aside from his popular writing, he has concentrated his recent activities at the Shimane Prefecture Research Institute. The first round of research of this prefectural institute was made from June 2005 to March 2007, and the second round of activity produced its interim report in February 2011.¹⁹

There has been a sizable number of scholars who have argued strongly against the official government view in Japan. Among them, Naito Seichu has recently been most active in criticizing Japan's official views, including bombarding "Ten Issues of Takeshima" with refutations.²⁰ But recently there has emerged in this debate scholars who may be identified as in between, trying to take "an objective stand"

based solely on positivist scholarship. Ikeuchi Satoshi of Nagoya University is one such scholar, and his publication opens a new perspective of historical recognition, resulting in an impression that neither Japan nor Korea was extending its actual control over the island at the time of its annexation in 1905. Following his writings in 2010 and 2011,²¹ a promising development in September 2011 was an open debate at a scholarly meeting in Korea without leading to an emotional outburst.²²

Another avenue for a peaceful settlement of this issue is to resort to confidence building measures, as discussed at the Takeshima/Dokdo conference in June 2009 held by SAIS in Washington D.C. and sponsored by the Northeast Asia History Foundation. Japan and Korea may learn from the rich experience that was accumulated in Japan-Russia negotiations to “consolidate the environment” of negotiations on sovereignty, such as no-visa exchanges or a fishery agreement.²³

The Comfort Women Issue Resurfacing

Also coming to the surface after several years of relative lull is the issue of comfort women. In August 2011, the Korean Constitutional Court judged that its government is not fulfilling its duty to protect the rights of former comfort women. After three months of quiet diplomacy, Lee Myung-bak went on a full-scale diplomatic offense during his Kyoto trip on December 17-18. Noda reportedly replied that while all issues of compensation were resolved by the 1965 bilateral agreement, there may be a way out from an humanitarian point of view.²⁴

Editorials in the major newspapers on the morning of December 19 were split in two: Yomiuri and Sankei covered the issue with strong criticism against the Korean approach, warning that Japan should not give in to Korean pressure. Asahi and Chunichi, followed by Mainichi, acknowledged that the issue is not resolved and that some kind of solution based on a humanitarian approach needs to be pursued. All wrote that the Korean side should not ignore what Japan had actually done: apologized for the pain Japan caused (Cabinet General Secretary Kono’s statement in 1993), and apologized with compensation, which Japan showed a readiness to extend through the Asian Women’s Fund, which worked from 1995 until 2007.²⁵

The debate on comfort women was swept away by news of the North Korean succession, but the comfort women issue is not gone. South Korea did not accept this scheme in 1995, arguing that Japan refused to take state responsibility. Indeed, the Japanese government took a legally cautious approach, insisting that because the 1965 agreement solved all legal compensation issues, actual compensatory money would be paid by the private sector. But after the Japanese Supreme Court ruled in April 2007 that, based on post-war treaty obligations, all claims made by individuals cannot be sustained, the Japanese government may not fear any more criminal indictments in Japanese courts. Moral resolution of this issue by establishing a new scheme for what the Asian Women’s Fund had wanted to achieve in South Korea, using government expenditures, could become the ultimate solution to this difficult issue. This is the author’s view, expressed in two recent articles,²⁶ to which there has not been a response. Judging from

press reports, Noda's position on this issue is mute, if not negative. In his March 1 statement, Lee Myung-bak urged Japan to resolve the comfort women issue, but the Japanese government spokesman just responded with a vague statement about "squeezing one's brain to find out what to do."²⁷

NORTH KOREA

Continuous Efforts Toward Normalization After the End of the Cold War

To the end of the Cold War, relations between Japan and North Korea were simple. Until 1965, Japan's sole diplomatic objective on the peninsula was to establish relations with South Korea. When it succeeded, the Japanese government wanted to maintain practical relations with the North.²⁸ During the 1970s and 1980s moderate steps were taken in the economic and cultural spheres.²⁹ It was only after the end of the Cold War that serious efforts were made to establish political relations. Three occasions can be noted. The first opportunity was the period immediately following the end of the Cold War. Precisely when fundamental change began in the Soviet Union, Prime Minister Takeshita Noboru made Japan's first initiative-taking statement at the Diet on March 30, 1989. He expressed "deep remorse and regret to all people in this area" with the clear implication of addressing both South and North Korea and expressed his willingness to "improve relations" with the North.³⁰ In September 1990, just one week before Gorbachev recognized South Korea, Kanemaru Shin, who was known as the Godfather of the LDP (more precisely of its Takeshita faction), led a LDP-Japan Socialist Party (JSP) delegation to North Korea and met with Kim Il-sung. Based on their agreement negotiations for normalization took place over eight rounds from January 1991 to February 1992, without achieving any success.

The second opportunity arrived after the death of Kim Il-sung and after the Agreed Framework and the establishment of the Korean Peninsula Energy Development Organization (KEDO). In March 1995, a delegation led by Watanabe Michio, an influential LDP leader, visited North Korea and agreed that "there were not any preconditions to resuming the negotiations for normalization of the relationship." Some warming in the relationship was seen through Japan's food aid and the return home of Japanese-born spouses. After the positive international mood developed by North-South dialogue under Kim Dae-jung's Sunshine Policy, three rounds of normalization negotiations took place from April to October 2000, but again to no avail.

The third opportunity produced a totally different result. Koizumi Junichiro visited North Korea and on September 17, 2002 issued the Pyongyang Declaration with Kim Jong-il. As a prerequisite of the agreement, Kim acknowledged the fact of abductions, apologized, and promised they would never happen, while conveying a list of thirteen abductees, of whom eight were allegedly dead. In the Declaration, an agreement was reached about the modality of establishing diplomatic relations, based on the South-Korean format of 1965 and Murayama's apology of 1995. A security working group was established to discuss all security related issues, including, "nuclear and missile issues" as prescribed in the Declaration.

Koizumi's success was due to several factors: North Korea's diplomatic initiatives to enhance dialogue with the outside, culminating in the North-South summit of June 2000 and the opening of diplomatic relations with Europe in 2001; U.S. rejection of North Korea through Bush labeling it one of the three "axis of evil" countries during his January 2002 State of the Union address; and Koizumi's shrewd diplomacy to cut into this vacuum and enter into completely confidential negotiations through his MOFA assistant Tanaka Hitoshi.

Fixation on Abductions and Complete Stalemate in Negotiations

Koizumi's Pyongyang visit was first hailed as an unforeseen diplomatic success, but soon relations became paralyzed. The first blow came from the U.S. announcement that North Korea had been enriching uranium even after the Agreed Framework of 1994. Continuation of normalization talks became much more difficult. But it was Japan's outrage at North Korean abductions that virtually ended Koizumi's overture, which had opened a very short-lived strategic opportunity for Japan to enter into the peninsula's power game. The news that eight abductees were allegedly dead aroused emotional indignation. The government decided on October 24 not to let five abductees, who had returned to Japan two weeks earlier, go back to North Korea. In turn, at the normalization talks at the end of October, North Korea suspended all of the commitments it had made in September. Public opinion rallied behind the families of abductees, eventually taking the form of the National Association for the Rescue of Japanese Kidnapped by North Korea (NARKN).³¹ Since then, Japan's policy toward North Korea has been dominated by its requests to resolve the abduction issue first.

The relationship became completely frozen. Koizumi succeeded in gaining back the children of the five returned abductees in 2004, and that became the only practical result from the fall of 2002. When the Six-Party Talks were established in August 2003, Japan managed to join, but it refused to contribute unless there was progress on the abductions issue. In February 2007 in response to the Joint Agreement Japan refused to join in supplying 50,000 tons of heavy oil in response to North Korea's shut down of the Yongbyon nuclear facility.

After the DPJ assumed power, as far as we can trace through media reports, responses continued to be monopolized by this abductions-first-approach. In the initial months after Hatoyama became prime minister, two channels were apparently opened with North Korea. One was a person close to Ozawa Ichiro, who once a month visited the North Korean embassy in Beijing. Another person close to the prime minister's office visited Beijing in mid-October 2009 and had a talk with a high-ranking North Korean official. In all these meetings in response to questions about the abductees, there was no clear response. Some information implied that "some are in not good health."³² Hatoyama stated on January 4, 2010, "If opportunity matures and there emerges real necessity I would visit the North, but unfortunately that timing has not arrived yet."³³

A similar situation prevailed under Kan. The abduction issue attracted wide attention when the government invited Kim Hyeon-hui, the North Korean agent who blew up a South Korean airline in Iraq in 1987, with media fanfare from July 20-23, 2010. She had talks with families of abductees, stayed overnight in Hatoyama's summer house, had a helicopter tour over Tokyo and Mount Fuji and then went back to South Korea without tangible results. In the last months under Kan, reports suddenly appeared that Nakai Hiroshi, the minister in charge of abduction in the Hatoyama cabinet, had four meetings with Son Il-ho, North Korea's ambassador in charge of Japanese relations at the Six-Party Talks, somewhere in a third country during the spring of 2011. The last meeting reportedly took place on July 21 and 22 in Changchun. An official of the cabinet office in charge of abductions accompanied him. Nakai requested concrete steps forward on the abductions, but no progress was observed. The Kan government took the position that it does not acknowledge Nakai's visit.³⁴ If the purpose of these contacts was just to ensure progress on the abductions issue from a domestic point of view, lacking any strategic thinking toward the Korean peninsula, then real progress in Japan-North Korea relations, including regarding the issue of abduction, can hardly be expected.

Noda Facing Kim Jong-un

The North Korean situation was put in a different light by the death of Kim Jong-il and the succession of Kim Jong-un. What policy will the Japanese government take toward the new regime, and how will this affect Japan-South Korea relations are important questions about which several cautious comments are in order.

First, the government's initial response was reactive. The Cabinet Security Council immediately met on the announcement of Kim Jong-il's death, and it decided to strengthen the system of information gathering, sharing information with the United States, South Korea, China and others, and set the state system on alert so that Japan would be ready to respond to any eventuality.³⁵ On December 21, Cabinet General Secretary Fujimura Osamu announced that the government is not going to extend condolences.³⁶ Koizumi only offered a wreath at the central office of Chosen-Soren (the National Federation of Pro-Pyongyang Korean Residents in Japan). North Korean television reported it, and Japanese television replayed the scene in the North Korean television broadcast.

Second, contrary to this seemingly detached reaction, a chorus from the abductees' families argued that under the new leader there might be a long-awaited opportunity for a breakthrough, and, therefore, the Noda government should do everything possible to achieve concrete results. Yokota Sakie (mother of the symbol of the abductees, Yokota Megumi) desperately appealed to the government that "the situation in North Korea might change substantially by the dictator's death. Ten years have passed since Koizumi's visit. We consider that this may be the last opportunity to see our daughter."³⁷ *Gekkan Nihon* carried an article expressing the collective voice of families, practically everyone urging Noda to do everything possible, and Iizuka, the representative of the family association, stated at a national meeting "the Japanese government should do everything before the new system takes concrete shape. Whether through underground negotiations or official negotiations, with stern will it should be possible to move North Korea."³⁸

Third, as if to respond to this drumbeat of appeals, on January 9-10, 2012, Nakai held another meeting with Son Il-ho in Northeast China, but this was followed by Fujimura, Cabinet General Secretary, dismissing the meeting as “a diplomatic activity of an individual parliamentarian.”³⁹ On January 12 at the meeting between the heads of delegations of Japan and South Korea, the Japanese side described Nakai’s meeting as “informal contacts outside the level of government to government contacts.”⁴⁰ Since relations between South and North Korea are tense, media reports in Japan began indicating South Korea’s irritation: “in South Korea, such views are emerging that Nakai is taking singularly isolated contacts with the North in a situation where the situation around the North has become very fluid. It is also reported that Prime Minister Noda knew about this contact, so the Korean side must have requested an explanation from the Japanese side.”⁴¹

Fourth, and possibly most important, Noda’s public message to North Korea began to acquire nuances not recently seen. Conspicuously, this shift was visible in his meeting with Wen Jiabao on December 25, 2011 in Beijing. According to the MOFA home page, the North Korean issue dominated their foreign policy discussions. In the six initiatives published in Japanese, North Korea appears prominently twice: in the first one on “enhancing mutual trust in the political arena,” and in the sixth one on, “strengthening dialogue and cooperation on regional and global issues.” However, the content was not particularly new, emphasizing the importance of Japan-China cooperation, the success of the Six-Party Talks, and the need to resolve the abduction issue.⁴² Yet, the English version of the same home page adds a statement. Apparently, Noda said, “Japan’s basic policy is the Japan-DPRK Pyongyang Declaration and its comprehensive approach.”⁴³ This can be interpreted as Noda’s desire to get beyond the fixation over abductions. After the surprising news of a breakthrough in U.S.-North Korean negotiations, a Japanese newspaper reported “some government officials are whispering about decoupling the Six-Party Talks and the abduction issue.”⁴⁴ One can assume that in top-level diplomatic exchanges such a nuanced policy shift has already been transmitted to the U.S. and South Korean governments. Interestingly, the first public indication of that message was apparently in Noda’s statement to Wen Jiabao.⁴⁵

CONCLUSION

Korean unification and the policy adopted toward North Korea are matters of utmost strategic importance for Japan. For South Korea, these are fundamental issues of when and how to regain its national identity and to put an end to its tragic history starting from Japan’s annexation, leading to a divided country, and following with the devastating Korean War with all its human losses. For Japan, how to reestablish relations with North Korea is one of the outstanding issues originating from World War II, but the issue of unification is primarily to be determined by the will of Korean people. Realists might argue that for countries surrounding the peninsula, the present-day split of Korea may best serve their strategic interest, but at the same time, no country would dare to appear as an obstacle, should the will of the North and the South converge toward unification.

What kind of policy should Japan take toward North Korea, bearing in mind its ultimate objective as described above, but at the same time, coordinating its policy with essential regional powers—especially with the United States, South Korea, and possibly with China? The Japanese government has to consider whether it is in Japan’s long-term interest to normalize relations with North Korea before or after unification. All realists’ power-based arguments probably favor normalization prior to unification, simply because Japan might have a better bargaining position against the weak North than a powerful united Korea. But that realism becomes totally illusory if the Japanese government does not take into account the positions taken by South Korea and the United States, and, in some possible scenarios, China. If Japan is really prepared to take a flexible approach, as was hinted by Noda’s December 25th statement, coordination becomes critically important.

This embryonic policy change hinges on Noda’s leadership position in domestic politics. His domestic reform agenda, tackling the fundamental issues of the tax system and social security, faces a string of potential crises: on the adoption of a budget, on the possibility of an opposition attack, and in June on the possibility of the dissolution of parliament.⁴⁶ If the LDP fails to muster enough power, a new political movement led by the Ishinnokai (Committee of Restoration) may be able to gather unexpected momentum. Hashimoto Toru, elected in February 2008 as governor of Osaka, at first challenged the duplication between the prefecture and city of Osaka, vanquishing the opposition in the city by being elected its mayor in December 2011. After this stunning success, he is reportedly planning new moves directed at central government politics. So far, the foreign policy objectives of Ishinnokai are too vague to gauge, apart from its support of relations with the United States and Australia.⁴⁷ With leadership in Japan too fluid to be confident of any predictions, especially with foreign policy implications, decisions on the Korean peninsula are not likely to be rushed in 2012.

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Chinese Politics and the Korean Peninsula

GILBERT ROZMAN

Leadership has great bearing on the way the states active in Northeast Asia address sensitive questions related to the Korean peninsula. How should the shared goal of denuclearization of North Korea be prioritized relative to such goals as stability and the regional balance of power? What weight should be given to human rights in the context of urgent security concerns? To what extent should the multilateral nature of diplomacy override the expression of national policy priorities? How closely is coordination with South Korea advisable, recognizing its legitimacy to represent the Korean people, given divergence in threat perceptions and strategic thinking about the future of the peninsula? These questions asked about the other states in the Six-Party process apply also to Chinese politics. Despite the fact that Chinese decision-making remains opaque with censorship tightening of late, some clues are available to offer insight into how the transition to fifth generation leadership bears on strategic thinking regarding the Korean peninsula, toward both North Korea celebrating in 2012 its success as a “strong and prosperous power” and South Korea voting in 2012 for a conservative or a progressive.

The death of Kim Jong-il has raised the stakes in China’s handling of North Korea. By approving the transfer of power to his son, Kim Jong-un, and praising the “socialist” leadership of the state, China is making the case for regime continuity. Whereas earlier it gave the impression that despite objecting to “regime change” it strongly supported reform and relaxation of tensions, its tone was shifting in 2009-10 and has now moved much further in the direction of a special relationship between the two allies in the building of socialism, the Korean War, and the Cold War struggle against anti-communism.

China’s approach to the Korean peninsula has changed in a deliberate manner over the forty years since the 1972 breakthrough in Sino-U.S. relations, and new Chinese leadership can be expected to give priority to further adjustments. After the Pueblo incident of 1969 and other acts of aggression by North Korea, leaders in the United States and South Korea hoped that the improvement in U.S. ties with China would lead China to lean on the North to exercise restraint. While Sino-Soviet competition for influence in Pyongyang did not serve this purpose, North Korea at times in the 1970s behaved less belligerently without putting a strain on the fragile Sino-U.S. reconciliation. In the 1980s reform and opening under Deng Xiaoping produced an environment for gradual expansion of trade with South Korea, while widening the ideological gap with North Korea. Yet, the North’s brazen 1983 terrorist bombing of the South’s leadership tested China’s patience, as the South’s patient engagement of China began to be rewarded with expanded interactions. In this atmosphere China advised the North to turn to reforms and to broaden economic and diplomatic ties, but it was reluctant to pressure the North or to assist in steps that might lead to “regime change.”¹ It resisted all appeals from the United States.

China’s normalization with South Korea was a third blow to North Korea, setting back relations through the 1990s without prompting China to take an active role alongside the United States in the first nuclear crisis or to agree to political cooperation with the South that would suggest a preference. Only in the context of

the second nuclear crisis and the Six-Party Talks did China play a more active role in steering diplomacy at the same time as it revived ties with North Korea, reassuring the North of cooperation in resisting U.S. efforts at “regime change.” Even shifts in great power relations have serious implications for Sino-North Korean ties, but the Sino-North Korean-South Korean triangle is the most important framework for assessing China’s leaders’ shifting calculus toward the peninsula.

The third generation leadership under Jiang Zemin emerged under the towering legacy of Deng Xiaoping. While the economic direction for China’s future had been set by Deng, particularly in his last assertive move in 1992, the political and cultural directions were uncertain after the rollback in 1989. In 1995-97 as “Jiang Thought” began to be articulated, treatment of “Western culture” and traditional Chinese culture was confusing, as further clarity about socialism remained in jeopardy.² On the whole, Jiang did not alter Deng’s legacy of “avoid the limelight, never take the lead,”³ but he shifted the terms of debate toward emphasis on national identity, raising the stakes for leaders to draw on this rhetoric.

The transition to the fourth generation of leadership drew considerable scrutiny from outside analysts. In 2002-03 China was in transition following its accession to the World Trade Organization (WTO), uncertainties in dealing with the United States from its position as the second global power, and a growing leadership role in the region through a combination of ASEAN+3 and ASEAN+1 as well as through the new Shanghai Cooperation Organization (SCO) and intensifying negotiations over North Korea that became institutionalized as the Six-Party Talks. This generation of leaders led by Hu Jintao faced prospects of regionalism and multilateralism different from its predecessors. Given U.S. alarm about North Korea from October 2002, this issue overshadowed others as a test of intentions. In this transition observers studied the rising group of leaders and their patron-client ties and bases of power, but also the changing role of various institutions that drive policy and of think tanks and academic experts that shape the policy debate.⁴ Already there was informed commentary regarding the rise of the fifth generation of leaders, who attended college from the mid-seventies to eighties and joined the party in the midst of market reforms and growing awareness of divisions between factions linked to senior leaders. From the 1990s appeals to national identity in foreign policy intensified, and these rising leaders faced the challenge of accommodating them in addressing significant foreign partners.⁵

China’s policymaking toward North Korea has been a kind of black box for analysis of what determines policy decisions or shifts in rhetoric. U.S. officials intent on increasing coordination with China keep seeking greater clarity without adequate responses. Over the years of the Six-Party Talks such consultations intensified, but continued tight censorship on what could be published about the North left observers grasping for clues about how much confidence should be placed in the narrowly reassuring responses in support of denuclearization.⁶ It is easier to discern when critical decisions were taken by the Chinese leadership, than whose views they express or what reasons were foremost. Yet, there is enough published information to fill in some gaps and to indicate the importance of particular leadership changes for decision making on the peninsula.

The period of 2009-11 revealed the main elements of Chinese reasoning about the peninsula. Observers know few details about the internal leadership discussions that led to a softer line after the North Korean nuclear test in April 2009, decisions not to blame or pressure North Korea following its two attacks on South Korea in 2010, and the apparent Chinese effort to restrain North Korea at the end of 2010 in response to U.S. warnings about the dangerous environment that was emerging and Hu's preference to proceed with a January 2011 state visit to Washington in a positive atmosphere. It appears that a left-right split in the leadership was intensifying in advance of the 18th Party Congress in 2012. While leaders jockeying for the top posts may have found it beneficial to cater to hard-line elements in the party and military, there were longstanding concerns that favored more open defiance of the preferences of the United States and South Korea and tolerance, if not real approval, of the North's conduct, in line with the place of the Korean peninsula in strategic thinking.

In the midst of leadership changes in most or all of the countries engaged in the Six-Party Talks, China's leadership transition in 2012-13 deserves special attention. It is assessed against the background of Chinese strategic thinking, and is proceeding in a context of shifting national identity. This chapter looks at China's leadership prospects through the perspective of generational change and through interest groups. While direct evidence on the preferences of candidates for top posts regarding Korea is unavailable, the themes covered prepare us to appreciate the various dimensions of the leadership transition that pertain to policy determination regarding the peninsula.

CHINESE STRATEGIC INTERESTS, NATIONAL IDENTITY AND THE KOREAN PENINSULA

North Korea and, by extension, South Korea are special cases in Chinese foreign policy. This is a reflection of the peninsula's strategic location, the significance of the Korean War in PRC history, the legacy of three decades of Sino-Soviet competition over the North with no definitive resolution, and the peninsula's special relevance to both geopolitical calculations and Sinocentric assumptions linked to East Asian reorganization, including economic, cultural, and political regionalism. Decisions about Korean affairs draw a distinct set of actors—old-guard Chinese Communist Party (CCP) adherents, the People's Liberation Army (PLA), and regional leaders in Northeast China—all known for traditional, socialist outlooks. At critical moments since Deng Xiaoping launched China's "reform and open door" policy, decisions had to be made about Korean affairs in the midst of deliberations over Chinese politics.

The powerful coalition of forces insistent on prioritizing North Korea over South Korea kept its dominance until 1992, relinquishing some ground prior to normalization of relations with Seoul even as it repositioned itself to exert renewed influence once the Sunshine Policy took effect and China's power grew in the new millennium. North Korea had rising strategic significance as China refocused on regional realignment, symbolized by the Six-Party Talks, the Shanghai

Cooperation Organization, and ASEAN+3. Its salience rose as China took aim at the U.S. military presence near China's borders and more directly challenged U.S. alliances, including the ones with Japan and South Korea. Strategic thinking had not made an abrupt turn, but it was evolving in accord with a changing balance of power to put North Korean ties in a more favorable light. In 2003 China's willingness to play a positive role in bringing North Korea to multilateral talks reflected hopes that this would result in U.S. realization that unilateral military pressure was unrealistic while others would agree on pressuring it to shift to a regional strategy amenable to the North's revival and China's rise. In late 2006 Sino-U.S. coordination increased in response to the North's nuclear test, but many missed the point that Chinese confidence also grew and the United States would have to negotiate from increased vulnerability. After the 2009 nuclear test, China took a tougher posture against U.S. interests and in support of those of the North.

In 2010 not only was China more forthright about the balance of its strategic interests, it also expressed national identity in a more blatant manner. There was much discussion of "core interests" in which sovereignty was at stake. Differences were framed as conflicts between civilizations, making regionalism a matter of denying cultural imperialism from the West while insuring the advance of Eastern civilization led by China. As Bo Xilai led aspiring leaders in Mao-era nostalgia, the pull of national identity concerns intensified. Li Changchun, who heads the Ideology and Propaganda Leading Small Group and directs the Central Guidance Committee on Ethical and Cultural Construction, and Zhou Yonggang, the director of the Public Security Commission and secretary of the Politics and Law Commission of the Central Committee, have led in orchestrating recent assertive identity claims. Their legacy is being transmitted to the fifth generation leaders groomed to replace them.

GENERATIONAL CHANGE AND ATTITUDES TOWARD THE KOREAN PENINSULA

Americans, Japanese, and South Koreans placed high hopes on generational change as the force that would transform Chinese attitudes toward North Korea. Memories of the sacrifices Chinese made in the Korean War would steadily subside. The need to distort the truth about the nature of the war and of the regime in North Korea would diminish. Adhering to its slogan of "peace and stability" and benefiting ever more from economic integration with South Korea as well as with the United States and Japan, China would pressure North Korean leaders to choose reform and regional cooperation or at least get out of the way as others pressured it when it reverted to aggressive behavior. This outlook prevailed through 2008 even as generational change did not appear to follow the predicted script.

The first generation of Chinese leaders under Mao Zedong authorized the Korean War and had revolutionary bonds to Kim Il-sung and other North Korean leaders. When Mao agreed to cooperation with the United States against the Soviet Union, he did not sacrifice the North. After all, U.S. hesitation to sacrifice Taiwan meant that consideration of how to deal with these thorny allegiances would

have to be postponed to another time. Brief signs of North-South reconciliation at the time held out hope that spillover was possible, but new tensions followed with no sign that China would act to defuse them.

The second leadership generation under Deng Xiaoping decided to praise the first decade of Mao's achievements even as it acknowledged mistakes during the following two decades as leader of the Chinese Communist Party and PRC. They had been part of China's leadership at the time of the war and would have been tarnished by association with criticisms of it as well as by the impact on the legitimacy of communism. In the background was the 1979 Taiwan Relations Act that angered them and made the case for concessions on the other Asian state divided between socialists and capitalists unappealing. If Deng gradually allowed economic ties with South Korea, this appeared to be the most that could be accomplished as the Soviet Union was strengthening its ties to North Korea and China was both competing with it and seeking to normalize ties as the means to equidistance in the strategic triangle. Participation of Chinese athletes in the Seoul Olympics still fed optimism of change ahead.

In 1982 the 12th Party Congress solidified a new direction in foreign as well as economic policy, raising questions about relations with the two Koreas. On the one hand, Deng's reforms had prompted interest in the South Korean development model. On the other, China's dropping of "revisionist" as the label for the Soviet Union, growing desire for equidistance between the two superpowers, and worry about North Korean anger over its policies opening to the West and abandoning Mao's domestic system put a premium on reassuring the North. While Chun Doo-hwan singled to Beijing his eagerness for ties and Ronald Reagan and Yasuhiro Nakasone were strengthening ties to him and eager for Beijing to make some positive moves, the Hu Yaobang and Zhao Ziyang team did not have the political clout to take anything more than some small steps, mostly economic in nature. Berated for going too far with Japan as he fell from power at the start of 1987, Hu was no doubt aware that his options were limited on Korea. Pressing his economics mandate, Zhao made some headway in 1984-87, the period Jae Ho Chung calls the "expansion phase" in Seoul-Beijing relations.⁷ Yet, hardliners limited such efforts.

Preparations for the 13th Party Congress in 1987 came amidst rising interest in South Korea due to the Seoul Olympics, democratization, and international fascination with its economic miracle. The political significance of the peninsula was growing as the contexts for viewing it drew political attention. One context was comparative socialism, which in 1956 had been the starting point of the Sino-Soviet split and remained after the 1981 70:30 verdict on Mao, a battleground in China. With the early 1987 purge of theorists, such as Su Shaozhi and Li Honglin, who were striving to establish this field of research and the growing alarm about Mikhail Gorbachev for both *glasnost* and new thinking, the prospect of criticizing North Korea was considered dangerous to both bilateral relations and the legitimacy of the CCP. A repeat of Mao vs. Khrushchev through Kim Il-sung vs. Gorbachev loomed in the background, as the humanistic theme, which

had been harshly repudiated in a 1984 campaign, was deemed to have fearsome consequences.⁸ The second context was democratization in Taiwan as well as South Korea, which could further put the PRC on the defensive. Rather than discarding the intransigent North as an albatross, the political imperative was to shield it from Chinese criticism. A third context was East Asian regionalism in which China was left at a disadvantage. Japan was rising, South Korea was becoming a more appealing model, Confucianism was invoked in reference to the “four little tigers” not China, and the U.S.-Soviet rapprochement coupled with new thinking favored an openness far from the liking of China’s leaders, which could lead to spillover as in South Koreans with their greater wealth and modern imagery gaining influence in the Korean Chinese area of Yanbian. In 1988, China’s political wariness of the South remained strong, refusing to allow it to open trade offices.

The usual image of 1988 to 1992 is of ever-improved Sino-South Korean relations, leading to normalization. Beijing responded, as did Moscow, to Roh Tae-woo’s *nordpolitik*. Northeast China had fallen behind the opening of Southeast provinces and was eager to expand ties with South Korea. After sanctions were imposed on China in the summer of 1989, South Korea became one of its saviors, even as North Korea lost favor and was pressured to accept joint admission into the United Nations. Yet, in Chung’s assessment of the politics of normalization, one learns of divisions within the leadership, even as the Small Group on South Korea served as a supra-agency to expedite ties.⁹ Rejecting the scenario after Moscow normalized ties with Seoul, China’s leaders continued economic assistance, albeit not at an increased level, and kept the door open to reinvigorated ties. In the background of the 14th Party Congress there was a duality to Chinese policies: follow Deng’s leadership in opening China’s market economy wide; and sustain the vigilance since June 4, 1989 in reinforcing communist legitimacy. The collapse of the Soviet Union and Russia’s tilt to the West led to vigorous efforts to change this course as well as to prevent spillover, such as in the Russian Far East where South Korea was feared to be seizing the crisis atmosphere to weaken North Korea’s presence and to flex its own economic muscle.

In the aftermath of the Tiananmen trauma, China’s third leadership generation under Jiang Zemin emerged from the shadows under Deng Xiaoping’s watchful eyes. Relations with neighboring states countered international sanctions, and South Korea’s *nordpolitik* was the most tantalizing offer. Given Gorbachev’s enthusiasm for a similar offer and the eagerness of Shandong and the Northeast provinces to capitalize on growing economic ties with the South, normalization beckoned. Yet, the collapse of international communism and then the Soviet Union raised the importance of keeping ties with North Korea, even if its leaders were angry at China’s relations with the South. As seen in the first nuclear crisis of 1993-94, China neither would pressure the North nor give it strong backing. In the eyes of the world, it was seen as cautious but inclined to let the North collapse if it did not choose to reform, as China advised. Jiang and his colleagues appeared passive without a strategy, as they paid most attention to rapidly advancing economic ties with South Korea and asserting leverage over it.

The Chinese political context in 1992-93 warrants further attention in light of what proved to be erroneous assumptions by many less careful than Chung about acknowledging many unknowns regarding domestic politics. It can be assumed from later actions that the leadership was resolved to forestall a hard landing for North Korea, which would be further proof of the failure of communism. As U.S. criticism of China intensified again in the 1992 elections and the early period of Bill Clinton's presidency, China was loath to encourage a sanctions mentality critical of human rights abuses. Not agreeing to more than a bystander role in the nuclear crisis of 1993-94, it welcomed new signs of U.S. reliance on it as the crisis unfolded and after the Agreed Framework was signed. Alert to gaps opening between Seoul and Washington, Seoul and Tokyo, and Tokyo and Washington, Beijing found room to maneuver. Yet, it found itself waiting, as Pyongyang remained cool to it and caught in the succession of Kim Jong-il as well as a severe famine. Joining in Four-Party Talks, Beijing proved itself sympathetic to Pyongyang even as it saw reforms along the lines followed in China as the eventual way forward.

The 15th Party Congress came on the heels of the Asian financial crisis weakening South Korea, Jiang Zemin's renormalization visit to the United States, and the formation of a close strategic partnership between Beijing and Moscow. Followed soon by Kim Dae-jung's election, it saw no clear shift in regional policy, even as optimism was growing about China's role in peninsular matters. By 1999 anger at the United States had intensified, coupled with more assertiveness in cooperating with Russia and capitalizing on Kim's Sunshine Policy to boost ties with North Korea. The Perry Process gave China an opening of renewed diplomacy. As Seoul eagerly pursued Pyongyang, with Moscow not far behind, and Tokyo strove for more leadership in the region with early improvements with Seoul and potential for Pyongyang ties, Beijing launched its own overtures to Kim Jong-il. Even before the Six-Party Talks, Beijing was the object of everyone's attention in dealing with Pyongyang. If some of the parties were under the illusion that they could gain leverage independent of Beijing and found encouragement for this view in Pyongyang, Chinese leaders knew better. They found the North Korean nuclear issue convenient to manage U.S. ties, to take advantage of Putin's new strategic aims in Asia, and, above all, to invigorate ties with the North. In this way, 1999 put Korea back as a central interest in Chinese politics. As in the years to 1992, China was certain of South Korea's need for it.

As the Crawford summit with George W. Bush proceeded in the shadow of the 16th Party Congress, Jiang Zemin saw flux on the Korean peninsula as an opportunity as well as a danger. More cooperation with Bush had seemed advisable after 9/11 and again as the Iraq War became a reality, but this could be accompanied by bilateralism and multilateralism in Asia at the expense of its rival distracted elsewhere. The pieces of China's strategic rise were soon in place as Hu Jintao took over the reins of power. Roh Moo-hyun's election meant tense times ahead for U.S.-South Korean relations. The self-defeating Asian strategy of Koizumi Ichiro enabled China to shift from its trial balloon of "new thinking" to actively using the "history card." Putin's growing anger with the United States and failed mediation in North Korea strengthened the strategic partnership. Even as tensions continued over the way North Korea dealt with reform and failed to coordinate,

the Six-Party Talks proved to be a venue where Bush had to yield, however slowly and grudgingly, to China's approach. In the fall of 2003 Wu Bangguo's visit to Pyongyang, followed by talks with Washington that proved unsuccessful, left Beijing convinced it was in the driver's seat and able to place the blame for no progress on Washington. This reinforced security thinking about the importance of Sino-North Korean relations. When a critical article on the North in *Strategy and Management* defied this thinking while arousing the North, the journal was closed. Given this sense of empowerment, China could more boldly challenge the South on the obscure placement of the ancient Koguryo dynasty, revealing a future-oriented Sinocentrism. Roh Moo-hyun's shift toward China's viewpoint was seen as far from sufficient, just as in 2009 Hatoyama's parallel shift away from the United States toward a regional community failed to impress the Chinese.

If special circumstances explain hesitancy in the previous generations to abandon North Korea, the fourth generation under Hu Yaobang was under no such constraints. Coming to power amidst the rise of East Asian regionalism and the eruption of the second nuclear crisis with North Korea, events appeared favorable for a tougher stance toward an unruly partner bent on destabilizing the region, as China was, doubtless, benefiting the most from stability. The period 2002-08 tested the Hu regime. On the one hand, diplomacy with the Bush administration gave some reassurance that it prioritized the denuclearization of North Korea and would calibrate its responses to provocative acts constructively. On the other, China kept giving North Korea the benefit of the doubt, insisting on an optimistic outlook on the North's inclination to reach agreement to denuclearize, while in the bulk of its publications airing criticisms of the United States for not making a deal within reach. Apart from momentary critiques of North Korea's nuclear test in 2006, Chinese sources conveyed a one-sided narrative that should have drawn suspicion for its lack of candor and obviously deceptive coverage of China's motives. Indeed, the exchange of visits between Hu and Kim Jong-il in October 2005 and January 2006, when U.S. ties with North Korea had deteriorated, may have produced some discord over economics but it saw more agreement on how to manage the crisis and indicated China's growing interest in playing a key role.

If the fourth generation seemed unsettled in its thinking about the region to 2006, diplomacy in 2007 was more reassuring. After attributing troubles in Sino-Japanese relations to Yasukuni Shrine visits by Koizumi Ichiro, the thaw begun in Abe Shinzo's visit to Beijing in late 2006 led to warming relations. The Bush administration reported increasing satisfaction about the course of bilateral talks. After a brief outburst in South Korea over China's claims to the Koguryo state, Chinese leaders strove to quiet concerns, as ties with Roh Moo-hyun continued to progress favorably. Above all, the Joint Agreement in February 2007 was attributed to an understanding that Beijing applies pressure when Pyongyang gets out of line and Washington accepts stage-by-stage progress when it cooperates. The most prominent academic voices were reassuring about China's interest in improving relations with each of the great powers, multilateralism, soft power, and peaceful development amidst its neighbors. There was talk that China was proving to be a "responsible stakeholder" with North Korea above all.

One of the important changes in the transition of the fourth to the fifth generation is the rising power of the People's Liberation Army. Three examples have drawn particular attention. First, earlier restraint has been dropped, as high-ranking military officers have, since 2008, independently pressed for a more assertive foreign policy. For example, in May 2011 General Liu Yuan, political commissar of the PLA General Logistic Department, charged that top leaders in the "past and recently" have been "selling out to foreign interests and ideology."¹⁰ Second, since 2008 the PLA has taken charge of added functions: psychological warfare, media operations, and legal warfare, leaving unclear how this may be diminishing the power of the Propaganda Department and various agencies within the media. One further change at the end of 2011 was the establishment of the Strategic Planning Department inside the PLA, which in the absence of a National Security Council may weigh military input more heavily in China's security deliberations. Given the special relationship of the PLA to North Korea, its voice likely counts for even more in the segmented leadership decision making affecting the Korean peninsula.

At times over the decade of the 2000s, Chinese academic experts wrote or spoke critically of North Korea in meetings with Western counterparts. There was even talk of Chinese "new thinking" about the North. The Ministry of Foreign Affairs conducted a promising dialogue with the State Department and other diplomatic bodies, repeatedly explaining China's support for denuclearization of the North. These views were transmitted widely as if they accurately reflected Chinese strategic thinking. Yet, Scott Snyder and some others who transmitted them also noted contradictory views, such as the idea that North Korea represents a strategic resource useful to China in countering the United States.¹¹ In 2009 it became clear that the reasoning of the moderates did not prevail in the leadership. A political watershed after the North Korean nuclear test in May revealed the leadership's reasoning not only in regard to North Korean provocative behavior, which would intensify, but also concerning the U.S. role in the region and South Korea as a U.S. ally. There has been no looking back three years later.

The fifth generation leadership was already emerging in 2010 under the shadow of factional struggles over who would be included. Without real evidence about the horse-trading under way, one cannot find direct links between policy making toward the Korean peninsula and leaders' preferences. Only circumstantial evidence suggests that the clout of the PLA and security apparatus was rising, the CCP ideologues and old guard found it easier to make their case, and Northeast China's officials intent on improving ties with North Korea had more room to maneuver. Somehow, in the linkages between the fourth generation leaders eager to perpetuate their power, or designate heirs from their faction, and the prospective fifth generation leaders agreement was reached on foreign policy, including how to deal with North Korea. Comparing different outlooks on issues related to the Korean peninsula sheds light on the national identity choices of China's leaders even if their personal preferences remain murky. The identity implications of support for North Korea proved decisive.

Analysis of the competition for slots on the Standing Committee centers on a small number of individuals born in 1945 or later and grouped largely into an elitist and a populist faction. Their main policy differences are over domestic matters with scant indication of divergent priorities in dealing with the United States, East Asian regional issues, and the Korean peninsula.¹² Already with the tough new measures on cultural policy in late 2011 and early 2012, it became clear that ideological pressure was mounting on those with reform ideas. Xi Jinping took the lead in ordering universities to step up ideological control over students and young lecturers.¹³ If South Korea is a target of criticism for its cultural effrontery, North Korea is treated as if it poses no cultural challenge to China whatsoever.

INTERNATIONAL RELATIONS DEBATES AND THE BALANCE OF NORTH AND SOUTH KOREA

While some in South Korea and Japan blame their own leaders for mismanaging China policy and causing China to take a harder line, the evidence from Chinese sources is that the hard line was taken with little provocation and new overtures to China are unlikely to revive the cooperative mood of 2007-08. The forces driving China closer to North Korea—shifting national identity, a changing balance of power, and internal dynamics of Communist Party leadership—are not reverting to the conditions that preceded the fundamental shift in 2009, which was fully confirmed by actions in 2010.

The Korean peninsula lies at the intersection of ongoing debates over Chinese foreign policy and national identity. They focus on great power relations, the international community, regionalism, and civilizations. In 2007 these debates appeared to be leaning in one direction, but by 2010 they had decisively veered in the opposite direction. Concerns related to Korea were at the center of this shift. The leadership groups leaning to North Korea and critical of South Korea under conservative control have strengthened, and there is no sign that they will be eclipsed in the coming transition at the top.

Seemingly, the strongest group in setting China's international relations has been the major powers school. In the period to 2009 it was associated with a priority on improving relations with the United States apart from brief interludes as in 1999 and 2001, Russia, and Japan. The best known academics are mostly in this school with no sign of dissent on Russia after mid-1992, some division on the United States at times of tension, and most discord over Japan, as was apparent in the backlash to "new thinking" in 2003. Dissension cast doubt on the logic for favoring cooperation over competition, such as that China is too weak or too dependent on the United States and its allies, it requires peace and stability for its continued modernization, and this approach provides the best cover for its rise in Asia by capitalizing on differences between the United States and other countries. This school revived to a degree in 2011, but its overall marginalization within the leadership seems to be little in doubt.

Championing North Korea and challenging South Korea threatened the major powers ideal. In 1993-94, 1998-99, and 2002-11, U.S. leaders kept stressing that China's stance toward North Korea is a litmus test for relations. Loss of U.S. urgency was not the cause of a sharp shift in 2009-10. Instead, it appears to have been a reassessment of China's relative strength and dependency, confidence in the economy to the point peace and stability no longer took priority, and an assessment that both hard power and economic power were sufficient to allow China to press harder for leadership in Asia. The transition in thinking was under way early in 2009 when Chinese anger at Lee Myung-bak—after a year of disappointment combined with a decision to take a tough line against Barack Obama's Asian policy—encountered the immediate challenge of North Korea's April missile test and May nuclear test. Japan counted for little as a great power and relations with Russia were considered separate; so it only took a decision to put the main blame on the United States for the nuclear crisis to mark a turning point. At first China's leaders were uncertain about using the flagrant provocations by the North as the event to shift direction. In April China voted for sanctions at the United Nations Security Council, and articles appeared very critical of the North. Yet, in May-June the tide turned against the United States and the school of officials and experts that prioritized cooperation. That appeared to change in 2011 and in early 2012 as Xi Jinping's visit raised some hopes, but the gap in national identities kept widening.

Which interest groups pressed for this hardened approach? With breakthroughs in military modernization, the PLA was apparently ready to question U.S. supremacy on the seas adjacent to China and be more vocal about the negative effects of U.S. alliances. The fact that the U.S.-South Korean alliance was tightening in response to Lee Myung-bak's strategic thinking and North Korea's more belligerent posture seems to have aroused the PLA, after a period when Chinese sources had seen a consistent widening of the gap between the two allies. The CCP old guard also was emboldened, as seen in a more assertive tone to claims about socialism and ideology. They may have decided that as a socialist state North Korea must be defended. Provincial interests in Northeast China had been given reason to expect that the long anticipated corridor to Rason would be developed, giving more than seventy million Chinese easier access to the sea. Frustrated, they pressed Beijing for stronger support in order to convince North Korea. Rising expectations had fueled impatience over Taiwan and domestic issues, which could be channeled toward support for more assertiveness regarding the Korean peninsula.

Another important group was the school in support of Asian regionalism, with multilateralism with China at the center. It had gained strength from the late 1990s and existed in uneasy coexistence with the major powers school. South Korea, as Japan had, became a partner in ASEAN+3 and by 2008 was in a new trilateral organization. While it had been an enthusiastic supporter of an East Asian community when the idea was broached by Kim Dae-jung at the start of the decade and under Roh Moo-hyun, it did not press for an expanded East Asian Summit to the degree Japan did and the prospect of cooperation faded under Lee Myung-bak. Even as Obama was blamed for interfering with the natural course

of region building by “returning to Asia,” Lee was deemed culpable as well and Hatoyama’s early interest in a community was not taken seriously since Japan focused on the East Asian Summit as its foundation.

While the Ministry of Foreign Affairs and internationally conversant academics draw attention from the global community, the power balance in China is tilted toward a combination of party-guided security and ideological forces less visible to the world and Chinese. Power transitions in these circles will be harder to follow. On North Korean policy, the People’s Liberation Army carries not only links to its principal partner since the final stages of China’s revolution and the Korean War, but claims that the greatest glory achieved since 1949 was in this war. Its voice is heard directly through the highest circle of party leadership. The International Liaison Department is directly under the party and keeps close ties to North Korea as well. Even the intelligence community, both the analysts associated with CICIR and the operatives separately organized, has its own channels to the leadership. While Dai Bingguo, who had headed the Liaison Department, may have seemed for a time, as Hu Jintao’s special councilor, to have brought his old unit together with the Ministry of Foreign Affairs, his role was eclipsed before December 2011 when his call for moderation was again heard. Whoever succeeds Dai, especially if it is an internationally respected figure from the Ministry of Foreign Affairs such as Wang Yi, would seem to have less likelihood of representing the full range of voices on foreign policy.

Another factor is cultural. With widespread popular resentment of what was perceived as the affrontery of South Koreans in challenging assumptions about Chinese cultural centrality, leaders had broad support to teach the South a lesson. One assumption that grew with Sino-South Korean ties after normalization was that South Korea would be deferential, shift away from its pro-U.S. outlook, and welcome regionalism led by China. Yet, the Koguryo dispute, which erupted in 2004, and other signs of what was seen as cultural arrogance became popular Internet grievances, which writings on South Korea exacerbated in 2009-10. It is unclear how these cultural attitudes operated in discussions within the leadership. The Propaganda Department is one likely conduit for them. Less cosmopolitan and more nativist voices could have shared the urge to take a tougher line toward the South. A shift to the North Korean side represented, in part, rejection of the South Korean side and demonization of it.

Liu Yunshan, secretary of the Propaganda Department and member of the Politburo, who, as a member of the fifth generation, is favored to secure the Political Standing Committee slot held by Li Changchun. While he has been criticized by intellectuals as a conservative commissar, he has won support in leadership circles for reasserting an orthodox approach to national identity. The fact that the Party devoted an entire Central Committee plenary session in October 2011 to culture and ideology reflects Liu’s ability to draw attention to the urgency of safeguarding China’s “cultural security.”¹⁴ Along with Liu’s success in what is seen as rejuvenation of Chinese propaganda, Minister of Public Security Meng Jianzhu appears to be another rising leader, capable of replacing

Zhou Yonggang on the Standing Committee, with a proven record of managing public opinion through innovations such as public-security microblogging.¹⁵ The 6th Plenum was followed by release of “CCP Central Committee on Deepening Reform of the Cultural System: Resolution to Address a Number of Challenges to Promote the Development and Prosperity of Socialist Culture.” As reported, “proper public opinion guidance is a blessing for the [CCP] and the people; mistaken public opinion guidance is a disaster for the [CCP] and the people.”¹⁶ Assertive leadership on cultural matters favors the North over the South, given the image of a deepening cultural divide in Sino-South Korean relations.¹⁷

China has justified its claims to intervene in North Korea through historical arguments that the Koguryo state was part of China and that the Korean War, which is not over, was glorious cooperation that drew China into helping to save the beleaguered North. It explains China’s unique position today as a reflection of diplomatic success in establishing relations with both North and South Korea, giving it unique leverage on both sides. While supporting the North more than any other state does, China makes clear that it sets the terms for assistance. In support of Kim Jong-un, assistance is already rising further, but on terms that China’s leaders calibrate to steer diplomacy in the most favorable direction.

Precautionary measures have been taken by China’s leaders to prevent conciliatory voices from gaining real leverage over foreign policy. Returning students from abroad in international relations and related fields rarely become heads of academic organizations or party secretaries. Talented experts may be lured back to China, but in sensitive fields their mobility is narrowed. The example of the Soviet “*mezhdunarodniki*” influencing change under Gorbachev is well recalled. There is tolerance for a more informed discussion of international relations, but caution to inculcate a clear message at odds with what many experts argue and to prevent infiltration of advocates into top posts.

Hardliners have intermittently gained dominance over policy making, as in 1989-92, but there is debate over whether the long-run trend is in their favor or not. A moderating trend in 2011 reflects calculations that the balance of power remains less positive for China than many had believed. Yet, this relative caution does not suggest serious reconsideration of the reasoning that has driven China’s Asia policy, especially its Korean peninsula policy, since assertiveness grew bolder. For reasons of both long-term patterns in strategic thinking and multi-dimensional coherence in national identity, China’s leadership has clarified its outlook on the peninsula in a manner that is unlikely to change markedly after the fifth generation takes power. Xi Jinping’s fall 2011 statement on the Korean War is a telling indicator, as is a worsening human rights record and tighter controls over culture.

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Security Challenges on the Korean Peninsula

INTRODUCTION

North Korea poses the most serious security challenges for South Korea and Japan that they have faced in many decades as well as formidable challenges for the United States, and it is prompting China and Russia to reassess security concerns in a changing regional framework. The chapters in Part 2 cover these challenges from the separate perspectives of four front-line states. After the North's aggressiveness in 2010 and the interlude in 2011 as Kim Jong-il exercised more restraint in return for much increased assistance from China and in the process of positioning his son, Kim Jong-un, to step into his shoes, the countries most concerned are preparing for security issues again to rise to the forefront. Their views on how to manage security on the peninsula offer a snapshot of a region gearing for an uncertain transition.

The first chapter by Andrew Scobell evaluates China's view of the security situation on the peninsula. He discusses a shift in strategy from balancing to going so far as to bandwagon with North Korea. This is explained both in terms of fears of domestic instability and concerns about U.S. intentions. Scobell contrasts China's silence over North Korean belligerence with its vitriolic condemnation of the naval exercises planned for the Yellow Sea by the United States and South Korea in 2010. Recently, China's strong support for the transition to Kim Jong-un, including added food and energy assistance, suggests that it is positioning itself as the powerbroker bent both on stabilizing the North and steering further negotiations. While reliance on China may for a time deter North Korea from brazen acts such as a new nuclear test or another attack on South Korea, it will not dissuade other neighboring states from strategizing about how they may best deal with coming security challenges. In March 2012 the North tested China's patience with its decision to launch a satellite, breaking the "Leap Day" agreement and drawing a rebuke even from China with no early evidence that this would change China's calculus in favor of "stability."

The following chapter by Taeho Kim turns to the view from South Korea at a time when North Korea's rhetoric remains inflammatory and security concerns have only slightly subsided from the peak of alarm in late 2010. Kim starts with uncertain political outcomes in this "super year" of 2012, which ends with South Korea picking a new president. He points to the difficulty of reviving North-South relations before the presidential election, with a victorious progressive likely not only to resume a policy of engaging the North on favorable terms for it but also to find a new balance favorable to relations with China at a cost to relations with the United States. Along with diplomacy, South Korea is changing is military readiness, forging a multi-task, high-tech force and tightening military cooperation with the United States. Given the security environment, the defense strategy is likely to endure after the elections.

Whereas Taeho Kim discusses the complexity of rebalancing Sino-U.S. ties in the shadow of North Korea, Stephen Blank argues that Russia is so consumed with opposition to the United States that it is bandwagoning with China. The wider

lens of global competition shapes its thinking on North Korea. Blaming Lee Myung-bak's harder line to the North and U.S. policies for the North's adventurism and anxious to avoid both war and marginalization, Russia relegates non-proliferation to a priority much lower than countering supposed U.S. threats. It even accepts North Korea as a partner, which perpetuates the regional stalemate at a cost to Russia's interests too. If, as in March 2012, Russia bemoans the North's belligerent moves that threaten its desired multilateral negotiations, this falls far short of rebalancing in Northeast Asia.

The final chapter by Narushige Michishita details non-nuclear measures that Japan is taking to boost its military readiness even as its diplomacy is not so active. Differentiating three types of military scenarios that could result from North Korean aggression, he identifies three pillars of Japan's military response: ballistic missile defense, civil defense, and nuclear deterrence courtesy of the United States. If North Korea should launch missiles to coerce Japan into submission, Michishita describes Japan's options. If it should threaten to attack in order to deter Japan and the United States from coming to the assistance of South Korea, he considers how Japan might respond. Finally, an all-out attack on Japan is discussed as the stimulus for defense measures. Michishita also notes diplomatic moves that Japan has taken to resume bilateral negotiations with North Korea. The impression he leaves is one of urgency without any ready solutions to Japan's dangerous situation. In March 2012 Japanese warned that if the missile used for the North's planned satellite launch were to head for a landing on Japanese soil it would be prepared to shoot it down.

The four papers contrast China's relative calm in supporting North Korea and Russia's greater sense of urgency that leads it to give qualified support in contrast to turmoil in South Korean politics, which might produce the only significant shift in handling the crisis, and alarm in Japan without any promising choices. Although the United States is not discussed in a separate chapter, the views of it in all four of the neighbors of North Korea are an important part of the security calculus. Policies to manage the North Korean threat should start with clear awareness of these views.

The View from China

ANDREW SCOBELL

It has become conventional wisdom in recent years to characterize the PRC as an “assertive” power. Since 2008, many commentators and analysts insist that China has become forceful and activist on a wide range of foreign policy issues.¹ While Beijing appears to have become more proactive on many issues especially with regards to the United States, where Korea is concerned China has tended to be surprisingly quite passive and reactive. Although China has been modestly proactive toward the Korean peninsula at times during the past twenty years (i.e. early 1990s and early 2000s), this has not been evident of late. What explains the dramatic contrast between Chinese forthrightness toward the United States and recent reticence on Korea?

This paper contends that China’s Korea policy since 2008—if not earlier—can be explained by a buffer strategy whereby Beijing has established and is maintaining a protective cordon of territories and bodies of water all around its periphery. The goal is to create Chinese spheres of influence or at least to deny/restrict access to other great powers. In recent years building this buffer has been undertaken quite assertively and vocally for China’s maritime territories but in a more restrained and quiet manner in the case of Korea. China’s strategy on the Korea peninsula is best explained as part of a larger effort to counterbalance a significant perceived threat from the United States combined with moves to bandwagon with North Korea. This paper first briefly analyzes the drivers of Chinese foreign policy generally and then focuses on policy toward Korea since 2010, explaining why policy has concentrated on the DPRK, while exploring China’s relations with the ROK as well as the United States and other great powers of the region such as Japan and Russia.

CHINA’S FOREIGN POLICY DRIVERS

Why has China been meek as a mouse where Korea is concerned but loud as a lion on U.S. policy in recent years? The answer lies in Beijing’s deep domestic insecurity, its “buffer strategy,” and Korea’s prime location. First of all, Beijing is inward focused and fearful of instability within the country.² The ruling CCP is insecure. Anything that appears remotely to pose a challenge to its rule is deemed dangerous and provokes a brutal response, including to individual dissidents such as Nobel Peace Prize winner Liu Xiaobo and the artist Ai Weiwei. The twin pillars of regime legitimacy are economic prosperity and national pride, and CCP leaders believe they must deliver on them if they are to be seen as the rightful rulers of China and remain in power. This translates into Herculean efforts by Beijing to keep China’s economy growing by all available means and a CCP that seizes every opportunity to portray itself as the champion of a strong and respected great power.

To be secure and strong at home, the CCP believes China must be increasingly active and engaged abroad. Logic might suggest an insecure CCP would closely restrict or even shut off China from the outside world and turn its focus exclusively inward—adopting an autarkic policy along the lines pursued by Mao Zedong. But this has not happened; on the contrary, China has become more activist around the world to an extent that is unprecedented in history.³

While China is globally more active, its 21st century focus is upon its own neighborhood: the Asia-Pacific. The countries on its periphery are especially important because they are immediately adjacent and hence pose the greatest potential threat to stability within China. Surprisingly, Beijing did not have an explicit Asia policy until the end of the Cold War. As Steven Levine astutely observed back in 1984, the PRC was “a regional power without a regional policy.”⁴ This is not to say that China ignored its neighborhood or was not engaged with its neighbors, but rather, that China tended to perceive Asia within the larger context of superpower relations—under the rubric of the strategic triangle.

Over the past twenty years, since the collapse of the Soviet Union and confronting a different geostrategic landscape, China has adopted a buffer strategy or what it calls a “good neighbor” policy. China has sought to build good relations with all its neighbors by resolving territorial disputes, demilitarizing border regions, enhancing diplomatic ties, and expanding economic relations. Beijing’s goal has been to create a Chinese sphere of influence adjacent to its borders and deny or at least limit the actions and influence of outside powers.

Overall, China has been quite successful at implementing its buffer strategy with better results in some locations than others. Beijing was most successful in Central Asia and most challenged in Northeast Asia. Taiwan and Korea have been the two perennial flashpoints in the latter region. Of the two, Korea has provided the most persistent headache of the 21st century for China. Despite the fact that North Korea has been post-1949 China’s most enduring buffer, it has proved costly and high maintenance, and it has required repeated reinvestment.

The first wave of trouble came in the early 1950s and considerable Chinese blood and treasure was required to maintain the DPRK as a buffer state. The Korean War armistice of 1953 provided reassurance that the Yalu River was secure although units of the Chinese armed forces remained in North Korea until 1958. The second wave of trouble, raising questions as to the durability of the buffer zone, emerged in the 1990s with the demise of the Soviet Union. A worrisome double crisis emerged on the peninsula: a systemic economic one triggered by the end of Soviet aid and a security one whereby the United States reacted to the rise of a nuclear North Korea.

Chinese efforts to build a belt of territory (landlocked and maritime) around its periphery of stable, pro-China states has proved particularly time consuming where the DPRK is concerned. Not only have attempts to keep North Korea stable economically proved to be a constant struggle, but denying or limiting the intervention of outside powers has also been an ongoing challenge. The PRC continues to provide the DPRK with aid in the form of food and fuel. In addition, it has encouraged Chinese businesses to invest in and conduct trade with North Korea, notably in extractive industries but in other fields as well.⁵ What Beijing fears is turmoil inside the buffer.

COUNTERBALANCING WASHINGTON, BANDWAGONING WITH PYONGYANG

The result of Beijing's acute insecurity, its buffer strategy, and extra sensitivity over the Korean peninsula has two important impacts on China's Korea policy. First, it means that the PRC's DPRK policy is as much about Beijing's views of Washington as it is about Beijing's perceptions of Pyongyang. The involvement of the United States raises the stakes for and threat to China. The United States poses an even bigger threat to China than North Korea—militarily and otherwise—going far beyond the geographical bounds of the Korean peninsula or Northeast China. The stakes are also higher for Beijing—not just the danger of instability or war on China's doorstep but the specter of a wider conflict involving the United States and possibly other countries. Hence, a volatile situation in Korea is much more alarming to Beijing than a cursory analysis would suggest. While the United States is more problematic than North Korea in many ways, nevertheless, Beijing perceives Washington as more malleable than Pyongyang.⁶

Second, it means that severe inertia afflicts China's policy toward the DPRK. This is because Beijing deems the situation to be extremely delicate with policy alterations likely to be severely destabilizing. North Korea's geographic location on China's doorstep presents a serious proximate potential threat to China's political and economic heartland. Moreover, the United States is directly involved as the ally of the ROK with a military presence on the peninsula and a long-time staunch critic of Pyongyang's nuclear and missile programs. China prefers to keep the buffer zone between the Yalu River and the Demilitarized Zone free of interference by outside powers, especially the United States.

Perhaps most alarming of all for Beijing is that Pyongyang has proved to be a 'hegemon magnet'—attracting the attention of Washington to a sensitive location on China's periphery. The magnet both repels and attracts. The former force has tended to predominate where the United States is concerned. Through provocations, including the development of a nuclear program, missile launches, nuclear tests, and other periodic provocations Pyongyang has predictably drawn the ire of Washington. What Beijing worries about is a tough U.S. response that will dangerously escalate tensions. In 1994, and then again in late 2002 and early 2003, China feared that the United States was preparing to launch a military strike against North Korea. Chinese leaders scrambled to avert this outcome.

Pyongyang's power of attraction is also of concern. While Beijing desires a North Korea on cordial terms with other states these relationships can become too cozy and challenge China's sphere of influence. Over the course of the past decade or so North Korea at various times has courted Russia, Japan, and, of course, the United States. Moscow continues to have some influence in Pyongyang, and the possibility remains of renewed talks with Tokyo. Much of this attention is undesirable from Beijing's perspective.

One significant outcome of the second Korean nuclear crisis for China was the establishment of a multilateral forum for discussion of the North Korean nuclear

program with Beijing in the driver's seat. The Six-Party Talks offered Beijing a kind of management mechanism whereby it could rope in, however loosely, Pyongyang, Washington, Tokyo, Moscow, and Seoul together around a six-sided table for on-again off-again talks.

Conventionally, international relations theorists conceive of bandwagoning as a maneuver performed by a weaker state to move closer to a stronger power. I turn the concept on its head by describing China as bandwagoning with North Korea. This conception underscores the disproportionate amount of influence the DPRK shrimp exerts on the PRC whale, and to suggest that in many ways it is not Beijing that alters Pyongyang's behavior but, rather, Pyongyang that constrains the behavior of Beijing. In terms of China's economic priorities and the outward orientation of its diplomacy, Beijing would seem to have more and more in common with Seoul. Moreover, South Korea's economic power, cultural vibrancy, and political dynamism contrasted starkly with North Korea's poverty, anachronistic socialist realism, and Stalinist atrophy. The logical conclusion for Beijing was that Pyongyang represented Korea's failed past while Seoul symbolized the exciting promise of the peninsula's future. In many ways, China was receptive in principle to the idea of Korean unification and assumed it would occur under South Korean auspices.⁷ But abandonment of North Korea proved unthinkable. Indeed, by the mid-2000s, China seemed to have decided that its truculent neighbor could not be permitted to fail. Since then, it has made concerted efforts to prop up the Pyongyang regime economically (with aid and investment), politically (tacitly supporting hereditary succession), and diplomatically (refusing to criticize the North publicly for its intransigence or transgressions).

GREAT DEBATES, LITTLE IMPACT, BIG WORRY

Since the mid-2000s, a lively debate has emerged in China over North Korea policy. Various schools of thought have been identified among foreign policy analysts.⁸ These opinion groups may be divided into three schools of thought. The first opinion grouping is the "Dump the DPRK" school. This viewpoint is not so much a distinct school of thought as it is a gut reaction to the frustrations of dealing with North Korea. Indeed, this feeling appears to be widespread within China but tends to be voiced in public only by academics because it is officially highly controversial and far too risky to be a viable policy option.⁹

This position springs from two perspectives. First, there is a sense—especially among those with liberal inclinations—of revulsion or distaste for a regime that is seen as morally reprehensible or at least untrustworthy and backward. Some analysts believe that by being so closely associated with a regime like this China is doing serious harm to its reputation as a responsible forward-looking great power.¹⁰ Second, there is a realist perspective that views a continued alliance or partnership with North Korea as being fundamentally at odds with China's national interests. While Pyongyang may have been an asset to Beijing in the past, North Korea has become detrimental to Chinese national security in the 21st century. The events of the past decade cause some analysts to question the value and utility of China's longstanding quasi-alliance relationship with North Korea.¹¹

The second grouping is the “Push Pyongyang” school. This opinion grouping is where many whose initial reaction is to “dump the DPRK” gravitate upon reflection. Pushing North Korea to adopt Chinese-style economic reforms and moderate its security policy is less extreme and more closely parallels what Beijing has been articulating as official PRC policy toward Pyongyang. After all, it reflects genuine Chinese desires for continued social order and economic prosperity within China and peace and stability beyond its borders. Beijing has tried for more than a decade to persuade North Korea’s leaders that they should emulate China’s example and adopt market-oriented reforms. But Chinese analysts recognize that this is unlikely to happen, especially if Pyongyang discerns no significant improvement in its security situation. China’s post-Mao reforms were made possible by Beijing’s assessment that its strategic environment had improved as a result of dramatic rapprochement with the superpower (the United States) heretofore considered its most dangerous adversary. This experience leads Chinese analysts to argue that a North Korean “reform and opening” initiative must be preceded by a significant breakthrough in its relations with Pyongyang’s most threatening adversary. These analysts tend to assume that the onus for this “opening” lies with the more powerful adversary—the United States.¹² Without significant reassurance from Washington that it harbors no aggressive intentions, Chinese analysts believe that Pyongyang will not embrace Chinese-style reforms. Whatever happens, many adherents of this school recognize that a sea change in North Korea is probably not imminent and will not happen suddenly; however, they remain hopeful that this change may occur incrementally, and persistent Chinese efforts may eventually pay off.¹³

The third grouping of Chinese analysts belongs to the “Bolster the Buffer” school. This opinion grouping believes that Pyongyang is located at the gateway to China’s heartland and, as such, has tremendous geostrategic worth. North Korea is a valuable buffer client state because it keeps South Korea and its superpower patron, the United States, at arm’s length. Although a serious headache, Pyongyang is nevertheless an ally of longstanding in a critical region. China has no other staunch friends in Northeast Asia. Indeed, of the four remaining actors, three have enduring alliances with the United States and the fourth, while loosely aligned with China, is deemed unreliable. Other than North Korea, China’s best relationship is with Russia. While bilateral ties are amicable and tensions are low, the relationship is aptly described as an “axis of convenience.”¹⁴ Of the three other actors, two seem firmly in the U.S. camp, and, as of 2012, appear deeply suspicious or skeptical of Beijing. Tokyo and Seoul both have formal bilateral defense treaties and U.S. forces stationed on their territory. A third, Taipei, while not considered the capital of a separate state by Beijing, has Washington as its superpower backer and arms supplier. Moreover, Taiwan remains unwilling to subordinate itself to China’s authority.

In essence, adherents of this school of thought remain mired in Cold War-era thinking and continue to harbor a deep-seated distrust of the United States. Repeated Chinese protestations that the United States should discard its “cold war mentality,” “zero sum” calculations and “hegemony” say as much if not more

about an entrenched way of thinking in Beijing as they do about the existence of such a mindset in Washington.¹⁵ Three Northeast Asian actors (Japan, South Korea, and Taiwan) are considered allies of a superpower that Chinese analysts tend to perceive in adversarial terms and a fourth (Russia), although sharing much of China's worldview, is a largely unreliable partner for Beijing. In this context, the DPRK takes on greater significance because it is simultaneously considered a traditional PRC ally and a sworn enemy of the United States.

These schools of thought produce a hybrid narrative along the following lines: "We Chinese can barely tolerate those loathsome North Koreans (and would gladly dump them); nevertheless, we go through the motions of pushing for reform in North Korea (but do not anticipate results, at least in the near future); in the meantime, fearful of destabilizing change, we have built a buffer state (even though we disdain alliances)."

However, in the final analysis these different schools may not really matter much. First of all, while the differences of opinion appear real, they are held by people one step removed from the decision makers themselves. Second, the decision makers are in fundamental agreement that the highest priority is maintaining the status quo with the result being policy inertia (as noted above). China is most fearful of the prospect of chaos on the Korean peninsula. Near term fears about upheaval in North Korea trump Beijing's concerns about a nuclear armed Pyongyang and the possibility of a unified Korea under Seoul's auspices. China has more influence on North Korea than any other country. But this influence is "potential" in the sense that Beijing is extremely unlikely to activate it. This is because China fears that applying pressure to North Korea will either result in Pyongyang distancing itself from Beijing (and hence China will have no influence) or, Chinese pressure tactics will backfire and only make matters worse.¹⁶

The bottom line is that although China's leaders are not necessarily unreceptive to new thinking on Korea, they remain largely preoccupied with maintaining stability (internal and external) and focused on promoting their country's great power status. North Korea threatens to besmirch China's prestige, and many in China want their country to be viewed as a responsible power and a force for good in the world. But, North Korea is not akin to Sudan in Beijing's eyes. After all, it is not a far off Third World state. Rather, it is a Darfur on the doorstep—a humanitarian disaster which is the subject of enormous international attention with a repressive, distasteful dictatorship made all the more complicated because North Korea is a hyper-militarized state armed with ballistic missiles and weapons of mass destruction. Instability immediately across the Yalu directly threatens domestic stability in China's heartland if only because of the specter of many hundreds of thousands of refugees flooding into Manchuria. So Beijing is ultra-sensitive to any hint of turmoil on the Korean peninsula.

Since the late 1980s, Beijing has been engaged in a delicate tightrope act, preserving good relations with Pyongyang while working to establish and maintain good ties with Seoul with considerable success at least up until the mid-2000s. China sent athletes to compete in the 1988 Seoul Olympics and

normalized relations with South Korea in 1992. Moreover, Beijing supported both Pyongyang and Seoul for membership in the United Nations with both Koreas admitted to the world body in 1991.¹⁷ On the one hand, it tried to coax Kim Jong-il to adopt Chinese-style economic reforms, while on the other, its trade with South Korea grew dramatically. The tightrope act survived the first Korean nuclear crisis in 1994 and the onset of the second crisis in 2002-2003. Although the DPRK weathered both crises intact, they took their toll on China. Tensions fluctuated between Pyongyang and Washington and relations between Beijing and Seoul cooled noticeably. Attempting to address these tensions, China stepped out of its comfort zone, leading Beijing to establish the Six-Party Talks in 2003 and engage in rare public criticisms of Pyongyang at the United Nations.

A series of North Korean provocations—nuclear tests and missile launches—culminated in the torpedoing of the Cheonan and the shelling of Yeonpyeong Island. By 2010 it had become clear that the tightrope act was over and China was bandwagoning with North Korea. Beijing was ever more mired in Pyongyang's swamp as the PRC did everything it could possibly think of to stabilize the DPRK economically and security-wise.

CHINA'S 2010 KOREA CRISIS AND AFTERMATH

China's tightrope act ended in 2010 as North Korea unleashed yet another provocation with the sinking of the Cheonan. Beijing initially appeared to view the tragedy as a minor irritant as it launched an initiative to restart the dormant Six-Party Talks, welcoming in early May Kim Jong-il on yet another unofficial visit to China. Aside from being one more attempt to convince the North Korean leader about the merits of Chinese-style economic reform, the visit signaled that Beijing was making a serious effort to restart the multilateral talks. When, on May 20, 2010, an international team of investigators issued a report that concluded the explosion was caused by a North Korean torpedo, the episode went from mere irritant to major impediment. Pyongyang vehemently denied any involvement and the situation threatened to derail completely Beijing's initiative to restart the Six-Party Talks.

China's muted response to the apparent North Korean provocation angered South Korea. Seoul was irate at what it viewed as Beijing's coddling of Pyongyang. China refused to condemn or criticize North Korea publicly, successfully pushing to exclude any mention of Pyongyang in the United Nations Security Council's statement of July 9, 2010, which condemned the sinking of the South Korean naval vessel. Beijing was slow to respond with a message of condolence to Seoul, as one Chinese scholar observed.¹⁸ While Russia accepted South Korea's invitation to come and independently review the evidence (and sent a four-person team to Seoul which arrived on May 21), China demurred.¹⁹ Beijing tried to downplay the incident, and the policy focus was on how to manage the reactions of Washington and Seoul, concerned that they would retaliate militarily. If this happened, China feared it could easily provoke a harsh reaction from North Korea and hostilities could very quickly spiral out of control. Indeed, following the Yeonpyeong Island attack, Beijing feared that war might be imminent. Both the ROK and the DPRK

put their armed forces on high alert. China's most senior foreign policy official, Dai Bingguo, made a sudden visit to Seoul on November 27, 2010 on the heels of postponing a PRC-ROK foreign ministerial meeting in protest over U.S.-South Korean exercises in the Yellow Sea.²⁰

Beijing was well aware that Pyongyang was in the throes of preparations for leadership succession. In this delicate period an ailing Kim Jong-il made arrangements for his twenty-something son, Kim Jong-un, to assume formally the position of designated successor. Since the younger Kim was lacking in political experience and virtually unknown to most North Koreans, his emergence into the spotlight required careful stage management.

Beijing's response to the escalating crisis was to deflect the focus away from the DPRK and toward China. The decision was less a deliberate and carefully chosen course of action and more of a case of an unhappy coincidence: the fallout from the Cheonan tragedy overlapped with a rise in tensions with the United States over the South China Sea and other issues. In short, China emphasized counterbalancing against the United States while downplaying its bandwagoning with North Korea. After an initial honeymoon period with the Barack Obama administration, tensions rose in late 2009 and early 2010. During Obama's first year in office, Beijing perceived Washington as being deferential to China's "core interests," downgrading its commitment to East Asia, and preparing to concede significant areas to a Chinese sphere of influence. Indeed, during the 2000s, although by no means absent from Asia, the United States had a somewhat lower profile in parts of the region because Washington's attention was so focused on the war on terror with the main battlefields being in Afghanistan and Iraq. Thus, Beijing appeared surprised by the Obama administration's Asian activism in 2010 and perceived a need for vigorous counterbalancing.²¹

In a January 12, 2010 address at the East-West Center in Honolulu, Secretary of State Hillary Clinton underscored the strong and enduring U.S. links to Asia, stating: "So I don't think there is any doubt, if there were when this Administration began, that the United States is back in Asia. But I want to underscore that we are back to stay."²² Beijing appeared to view this as assertive and threatening. It was particularly irate at Clinton's remarks at the ASEAN Regional Forum in Hanoi on July 23, 2010, articulating an abiding U.S. interest in the South China Sea. Beijing interpreted this as part of a forceful U.S. "return to Asia." Whatever the perceptions, the United States had certainly adopted a lower profile in Southeast Asia while it was preoccupied with waging wars elsewhere. China was outraged at what were viewed as overbearing and provocative U.S. military and diplomatic actions.

After Seoul announced that the United States and South Korea would hold a naval exercise in the Yellow Sea in late July, Chinese protests were loud and shrill. Postponed in the aftermath of the Cheonan incident, the exercises (originally scheduled for early June) would include an aircraft carrier, the USS George Washington, and an assortment of other ships and aircraft. According to one Chinese analyst, the extent of Beijing's reaction to the impending drill was

unprecedented.²³ What explains China's vocal, vehement and repeated protests of the July U.S.-ROK naval exercises in the Yellow Sea (which were eventually moved to the Sea of Japan)? And why was this in stark contrast with China's understated and mild mannered response to the sinking of the Cheonan?

The different Chinese approaches to these two events can be explained by the reality that Beijing is far more fearful of agitating Pyongyang than it is of antagonizing Washington. While it is acceptable practice to criticize U.S. policies across the board, public criticisms of North Korea by the Chinese government remain largely off limits. From Beijing's perspective, Washington is more susceptible to modifications of policy than Pyongyang—witness the switching of the location of the July naval exercises from the Yellow Sea to the Sea of Japan announced by a South Korean defense official on July 15 (of course a separate U.S.-ROK exercise was held in the Yellow Sea in August much to China's dismay).

The outrage expressed over the Yellow Sea exercises is best understood as Chinese sensitivity to the world's most powerful armed forces—and ones that are perceived to be adversarial—muscle flexing on China's doorstep. The parameters for permissible targets of Chinese ire are limited and the United States tends to be considered fair game and a large convenient target for an array of Chinese civilian and military officials and commentators who find it hard to sound off on other more controversial topics. But this should not obscure the fact that China has become increasingly sensitive to and assertive about its maritime territorial claims. So in the summer of 2010 Beijing was not only vocal about the anticipated exercise in the Yellow Sea but also in responses to Secretary Clinton's comments about the South China Sea made at the July ASEAN Regional Forum meeting noted earlier.

NORTH KOREA'S DYNASTIC SUCCESSION

One of the major Korean peninsula news stories of 2011 was the December death of Kim Jong-il. But the succession process was underway since at least the latter part of the 2000s—the twilight years of Kim the father as he prepared to have his son take his place. Beijing recognized that a botched transition could trigger upheaval and perhaps even morph into the twilight of the Pyongyang regime (possibly ending in the complete collapse of the North Korean state). China is sensitive to this and, while not enthusiastic about dynastic succession, it was persuaded that this was the best hope for a turmoil-free transition. Chinese leaders were in no position to veto dynastic succession. Moreover, Hu Jintao and his colleagues have likely concluded that under the circumstances it is a satisfactory arrangement. The plan probably offered the best hope of a smooth power transition in Pyongyang as well as the best prospect for economic reform. Whatever the likelihood of real reform, Pyongyang is heavily dependent on Beijing economically. Hu Jintao reportedly promised more economic assistance to Pyongyang when he met with Kim Jong-il on August 27, 2010 in Jilin Province.²⁴

Whether the Dear Leader will be as successful as his father, the Great Leader, was in engineering dynastic succession remains to be seen, but so far the leadership transition appears to be working smoothly. While Kim Jong-il did not necessarily

need Beijing's blessing for a hereditary succession, the elder Kim was shrewd enough to keep North Korea's foremost patron informed as well as to suggest strongly to any wavering Pyongyang elites that China supports—or at least did not oppose—the arrangement. His two visits to China in four months were strong indications of urgency to cement succession arrangements—likely due to the fragile state of the Dear Leader's health. It was unprecedented for North Korea's top leader to make two trips to China in one year, and the prime reason for the August trip appears to have been to inform Chinese leaders of the succession arrangements being put in place.

CONCLUSION

Beijing is almost certain to stay the course on Korea barring a major crisis. Inevitably, there will be new provocations from North Korea, but China will refrain from harsh criticism or public condemnation. While North Korea threatens domestic and regional stability and China's international reputation, in the near term the current unstable status quo security situation on the peninsula is strongly preferred to the alternative: greater instability—the prospect of Chinese pressure that might push Pyongyang to even more extreme actions and rash provocations. For an extremely risk averse Beijing, the unstable status quo is preferable to the uncertainty of change.

Perhaps no foreign policy issue has posed a greater challenge for China in the 21st century than Korea. North Korea is viewed in the context of a larger challenge—counterbalancing against the United States. This means Beijing fears that instability on the peninsula will be exploited—or perhaps even precipitated—by Washington as a way to threaten China. China feels very vulnerable to U.S. collaboration with its allies Japan and South Korea. Instinctively China has turned to bolstering the buffer—essentially bandwagoning with North Korea as it did in 1950. However, unlike in the former instance Beijing hopes that military force will not be required and economic power and diplomatic influence will prove adequate.

The DPRK has been a near constant headache for the PRC since the early 1990s. The Pyongyang problem appears to be chronic. While Beijing walked a tightrope between Seoul and Pyongyang for some two decades, ultimately, it decided to bandwagon with North Korea to counterbalance against South Korea and its superpower patron. The decision was ultimately determined by Beijing's vital interests: domestic insecurity and a stable buffer state at the gateway to China's political and economic heartland. Future Pyongyang provocations are unlikely to change Beijing's buffer strategy. To bolster the North Korean buffer China seems prepared to use all of the instruments at its disposal—economic (aid, trade, and investment), political (tacitly supporting hereditary succession), diplomatic (refusing to criticize the North publicly for its intransigence or transgressions), and, if necessary, military (including limited or wholesale intervention to prop up the regime).

In sum, China does not appear likely to adopt a major change of policy where North Korea is concerned unless confronted by a serious crisis. The last time it adopted a major new initiative was in 2003 when it launched the Six-Party Talks under the impetus of grave concern that Washington was prepared to undertake

military action against North Korea. Both now and then, it was preoccupied with leadership transition at home, but today there is no detectable elevated level of alarm in China similar to what there was a decade earlier. A decade ago, the so-called fourth generation spearheaded by Hu Jintao succeeded the third generation led by Jiang Zemin. Today the fifth generation led by heir apparent Xi Jinping is preparing to take over from Hu. Moreover, Beijing is sensitive to a dynastic succession in Pyongyang. At this time, maintaining stability both inside China and on its periphery is the highest priority. The near-term challenge for China is how to get the Six-Party Talks—its primary multilateral management mechanism for the peninsula—restarted. South Korea and the United States seem to be in no mood to come back to the table. Whether or not the talks resume, China is unlikely to apply significant pressure on North Korea to make nuclear concessions or implement systemic economic reform, particularly at this sensitive period of transition. It is possible that Xi Jinping could bring new thinking to Korea policy. However, without significant external impetus new thinking on Korea seems improbable.

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The View from Russia

STEPHEN BLANK

At a Russo-Korean summit in August 2011 Kim Jong-il announced his willingness to resume the Six-Party Talks without preconditions, i.e. no denuclearization or apologies. He also accepted Moscow's long-standing idea of a trans-Korean gas pipeline from Siberia through the DPRK to the ROK that would give North Korea \$100 million annually once it opened in 2017 while it shipped ten BCM annually to South Korea for thirty years. Kim also agreed to establish a commission to explore the possibility of building this pipeline. Subsequently, the two Koreas have started separate discussions with the Russians about the pipeline. Moscow also joined in joint naval search and rescue operations and is discussing forgiving up to 90% of Pyongyang's debts, if not the whole amount of about \$11 billion. The century-long dream of a Trans-Siberian and Trans-Korean railway (TSR-TKR) looms in many discussions of future relations.¹

To grasp Russia's Korea policies we must go beyond assessing Russia's bilateral policies toward North and South Korea to examine its policies in their regional, if not global, context. This entails realizing that whenever any member of the Six-Party process acts towards another member it generates dynamic consequences among all of the parties, making the talks an N+5 game that is constantly being played in multi-dimensional terms. A purely bilateral explanation is insufficient. Russia's policy must be seen in the context of its overall Northeast Asia policy. Russia views the Korean issue and the Six-Party Talks primarily as a regional security challenge and only secondly as a proliferation issue, while the United States views them primarily within a nonproliferation context. Moreover, the two strands dovetail to foster a Russian policy that ultimately obstructs any progress in dealing with the problems at hand.

This cognitive asymmetry with Washington has consequences for Moscow's policy and broader efforts to resolve this complex agenda. For instance, Irina Mironova writes that,

Thus, the peninsula's main problem consists not in the North Korean nuclear program *per se* or unification *as it is*. The problem consists in the virtual absence of relations between the two Koreas and is further exacerbated by the fact that there are not only Korean interests at play but there are also a number of players that pursue their own, quite explicit, interests on the peninsula, including China. The actions of Northeast Asian countries are guided by security considerations. "DPRK became the focus of *rivalry between China and the United States* which were further compounded by the lack of understanding of what is happening inside North Korea." Tensions are being expressed through two sets of controversies: China-United States and China-South Korea.²

Thus, it is all Washington's fault and nonproliferation is a secondary issue that need not be urgently addressed. Georgy Toloraya similarly attributes the tensions of 2010 to South Korea's post-2008 policies that presumed the DPRK's impending collapse. Allegedly, this policy forced North Korea to employ its most potent policy, escalation and force majeure to torpedo the Cheonan in March 2010 and

shell Yeonpyeong Island in November 2010.³ Blaming the victim poses Korean issues in a regional security context between, first, the two Koreas, and, second, the United States and China with Seoul and Washington to blame. Nuclear proliferation becomes a secondary issue. Therefore Moscow can say that early resumption of the Six-Party Talks is up to the two Koreas and the United States, since Russia and China have successfully prevented the “chronic” conflict there from becoming an armed one.⁴

This linkage between regional security and strategic agendas features prominently in Russian thinking about security in Europe and Asia. As Jacob Kipp wrote,

For Russia, which inherited the Soviet nuclear arsenal, but has faced a serious change in its international position, the nuclear equation is, in fact, shaped by Russia’s status as a regional power in a complex Eurasian security environment, where nuclear issues are not defined exclusively by the US-Russian strategic nuclear equation but by security dynamics involving interactions with Russia’s immediate periphery. On the one hand, Russia’s security responses have been shaped by a post-Soviet decade of sharp internal political crises, economic transformation, social instability, demographic decline, and the collapse of conventional military power. The impact of these developments has been uneven across Russia, leading to very distinct security environments which have demanded regional responses. The initial focus of security concerns for both the Soviet Union and the Russian Federation was primarily upon European security. This was the primary focus of the US-Soviet strategic competition and the place where its militarization was most evident.⁵

Russian officials have repeatedly confirmed this view. They apparently fear that any regional crisis, regardless of intentions, could become a wider or more protracted war with risks and costs to Russia. On November 17, 2011, Chief of Staff, General Nikolai Makarov, stated that local conflicts are occurring around the former Soviet perimeter and could escalate into all-out war involving nuclear weapons.⁶ He echoed his predecessor General Yuri Baluyevsky that while Russia faced no direct threat of aggression, “[given] the existence of nuclear weapons, any localized armed conflict—let alone a regional conflict—could lead the international community to the brink of a global war.”⁷

This wider lens of global competition informs Moscow’s approach to all regional crises in areas viewed as strategic to its interests. Nikolai Patrushev, Secretary of Russia’s Security Council, recently stated that,

Over the past two decades, 95% of conflicts affecting global and regional security started as domestic ones....Threats and conflicts inside certain countries quickly go the regional and also global level. This is particularly noticeable in the case of North Africa and the Middle East, in particular, in Libya, and now in Syria.⁸

Moscow thus implicitly believes that the United States and its allies frequently employ coercive tactics if not outright force against objectionable governments, including proliferators like North Korea, to force regime change upon them, and that these policies aggravate difficult issues, generating intractable crises if not prolonged wars (Kosovo, Iraq, Libya, Syria, and North Korea) that negatively affect international security. U.S. policies jeopardize Russian interests because they enlarge the scope of U.S. dominance and, at least, implicitly subject Russian policy to external scrutiny and pressure. Its interests also suffer because these objectionable or rogue states are, not coincidentally, Russia's partners against U.S. power. Therefore, international intervention must be subjected exclusively to the UN Security Council, where Russia has a veto.⁹

Accordingly, counterbalancing the United States is a fundamental motive of Russian policy. While some of this sentiment derives from the visceral official anti-Americanism of 2000-11, its deeper roots lie in the elite Russian perception that "Russia can reassert itself as a global great power only if it is able to limit American influence." Therefore, Moscow identifies with China on an anti-American and anti-liberal program in Asia despite its mounting concern about rising Chinese power and seeks its own line of influence in North Korea, e.g. in the 2011 summit with Kim Jong-il.¹⁰ Russian analysts, if not officials, see South Korea's post-2008 harder line and U.S. policies as being primarily responsible for North Korea's admitted adventurism and suspect Washington of still seeking regime change under the guise of coerced denuclearization.¹¹ They blame Washington and Seoul as much if not more than Pyongyang for the steady increase in tensions in 2010, which Russian diplomacy has sought to stop, often together with Beijing.¹²

REGIONAL SECURITY PERSPECTIVE

The 2010 upsurge of tensions near Russia's borders harmed its interests, causing the suspension of the Six-Party Talks, the only venue where Moscow can formally assert itself in the region, and straining relations with both Koreas, the United States, and China.¹³ Since a war on the Korean peninsula would be disastrous to Russia raising the possibility of a Sino-American clash on its frontier, potential nuclear strikes with radioactive fallout, state collapse in North Korea with uncertain command and control over nuclear weapons, large refugee flows, and the complete disruption of Northeast Asian investment and technology transfer into the Russian economy, Russians reason that actions generating heightened tensions or outright conflict must be avoided at all costs.¹⁴ Moreover, in the Asia-Pacific region many military contingencies are becoming increasingly possible as China's military threats to Russia grow and the U.S. alliance system has strengthened. The threat of a Korean contingency clearly figures prominently in Russian threat assessments. The Vostok-2010 combined arms exercise, the largest one in Russian history had scenarios against South Korea, a war in North Korea, Japan, and China, and ended with the use of a tactical nuclear weapon against what was clearly a PLA surrogate, but it could also have been deployed against U.S. allies if they intruded into Russian territory. This exercise is part of an ongoing defense buildup throughout the Russian Far East (RFE). In 2009 Russia deployed S-400 surface to air missiles to the RFE against potential spillover from North Korean missile and

nuclear tests.¹⁵ In 2011 it deployed S-400s on the Kurile Islands, ostensibly against Japan and the United States, but probably also against China and to hedge against a Korean contingency.¹⁶ Similarly, Russia's new plans for naval construction, especially in the RFE are extensive. All in all thirty-six submarines and forty surface ships are to be added by 2020.¹⁷ These plans betray a reorientation of Russia's naval emphasis to the Asia-Pacific, and to a new emphasis on meeting the challenge posed by China's naval buildup, but they also could figure in a Korean-inspired contingency.¹⁸

A 2010 article in the Ministry of Foreign Affairs' journal *International Affairs*, quoting a Chinese analyst Zhu Feng, starkly underlined the dangers of war in Korea.

Indeed, the situation on the Korean Peninsula, which is in close proximity to our Far Eastern borders, is explosive and fraught with the most unpredictable consequences. Peace is very fragile here. No one can guarantee that it will not collapse as a result of a clash between the two Koreas with the involvement of other countries in the conflict and the use of weapons of mass destruction. "The aggravation of the North Korean nuclear issue is one of the long standing problems leading to new ones. This issue cannot be expected to be settled easily because difficulties have emerged in relations among large East Asian states. The settlement process can subsequently lead to a redistribution of roles of large states on the Asian political field—that is a new regional security problem."¹⁹

That restructuring of the Asian political order could easily ensue at Russia's expense given its weakness there, and do so by means over which Russia has little or no influence. While Moscow has long said that it does not fear Korean unification and might actually welcome it, Russia could only do so if it happened peacefully not through war.²⁰

These considerations help explain why Deputy Foreign Minister Alexei Borodavkin, Moscow's delegate to the talks, said that the Korean peninsula was on the brink of war in September 2010.²¹ Indeed, North Korea agreed with this estimate while South Korea has pledged retaliation for any future Northern provocations.²² Since then, there have been multiple signs of intensified military hedging by both North and South Korea against the possibility of a renewed conflict. Consequently Russia faces a situation where a major conflict affecting its vital interests might ignite where it had little or no leverage on any of the players and could not prevent it. Since the Cheonan incident and shelling of Yeonpyeong island demonstrated its lack of leverage, not only were its vital interests at considerable risk, it also faced marginalization in the talks and regionally. This marginalization was reflected in the fact that everyone implored China, not Russia, for solutions despite their similar policy posture. Worse yet for Russia this picture of marginalization evidently reflected Asian perceptions. A U.S. Army colonel, who leads officers on tours of Asian think tanks, told a U.S. conference on Korea in 2010 that Chinese, Japanese, South Korean, and Mongolian think tanks unanimously asserted that Russia would soon play no role in East Asian security.²³

These considerations had to be galling especially as Dmitry Medvedev's presidency has emphasized Asia. Russian officials and analysts have asserted a new coherence, purpose, and vigor in Russia's Asian policy, claiming that Russian foreign policy's center of gravity was shifting to the East.²⁴ According to Deputy Foreign Minister Grigory Karasin, Medvedev identified three main thrusts of his foreign policy: relations with the West, the CIS, and the Asia-Pacific region (APR).²⁵ Russian officials acknowledge Asia as the dynamo of the global economy and assert an emerging "polycentric world order" largely composed of rising Asian powers.²⁶ To play in this new order, Russia must ensure favorable conditions for its modernization, elicit large-scale foreign investment, participate in Asian integration and other processes, and propose a new Asian order free of military blocs (i.e. the U.S. alliance system).²⁷ Consequently, it vigorously pursues summitry, high-level diplomatic meetings and speeches, energy, and arms sales, its main currencies of power in East Asia. As it has done since Brezhnev, it "proceed(s) from the assumption that one of the most important prerequisites and components of the denuclearization process is the formation of regional common security institutions which would be based on the principle of equal security to all parties."²⁸

Moscow's Korean initiative was an effort, often joined by China, to bring everyone back to the Six-Party Talks, but it also reflected an independent quest for leverage vis-à-vis the two Koreas, using the best and perhaps only real weapon at its disposal, namely energy. These actions paid off for Moscow at the August 2011 summit. Russian analysts, if not officials, believe that Northeast Asia offers Russia opportunities due to its energy capabilities, the region's dynamism, Europe's and the U.S. decline due to the protracted global economic crisis, and what its elites claim is the validity and vitality of its (and China's) leadership model.²⁹

THE PROLIFERATION STANDPOINT

Moscow and Washington's approaches to nonproliferation issues sharply diverge, underscoring the wide conceptual and perceptual gaps between them. This poses significant challenges to any enduring reset policy let alone amity and genuine cooperation on international security. Given Russia's ambition to challenge the United States regionally by counterbalancing it, the result is a set of contending issues where Russia sees its rival as threatening principles and interests that it deems central to its security. Moscow firmly opposes adding new members to the nuclear club and regards proliferation as a threat; therefore, it works with Washington to eliminate "loose nukes" and discourage other states from expanding earlier nuclear programs, and it has stringent export control procedures established in law.³⁰ Nonetheless, on proliferation issues it follows its own interests, putting this fifth in the new defense doctrine after a series of U.S.-inspired threats, including NATO enlargement and missile defenses. The doctrine explicitly states that Russia expects that by 2020 it will be living in a proliferated world,³¹ where the number of nuclear weapon states has increased.³² It is certainly strange to concede proliferation in advance. Leaders also publicly say that this is mainly a U.S., not necessarily a Russian, concern. In early 2002 Defense Minister Sergei Ivanov outlined Russian thinking and policy concerning proliferation.

Russia scrupulously adheres to its international obligations in the sphere of non-proliferation of mass destruction weapons, means of their delivery, and corresponding technologies. The key criteria of Russian policy in this sphere are our own national security, the strengthening of our country's international positions and the preservation of its great power status.³³

Russia evaluates proliferation issues not according to whether the regime is democratic or not, but on whether a country's nuclearization would seriously threaten Russia and its interests.³⁴ Accordingly, it views U.S. nonproliferation policy cynically, displaying a visible *Schadenfreude* when North Korea tested missiles and then a nuclear weapon in July-October 2006.³⁵ Officials often view Washington's insistence on nonproliferation controls as mainly an effort to pressure competitors in nuclear and arms markets.³⁶ In 2009 Alexei Arbatov provided the most detailed explication of Russia's approach.

For Russia the acquisition of nuclear weapons and ballistic missiles by India and Pakistan and the prospects of further proliferation are adding some new elements to a familiar and old threat, rather than creating a dramatic new one, as is the case with the United States. The USSR and Russia have learned to live with this threat and to deal with it on the basis of nuclear deterrence, some limited defenses (like the Moscow BMD system and national Air Defenses) and through diplomacy, which is used to avoid direct confrontation (and still better, to sustain normal relations) with new nuclear nations.³⁷

Instead, Moscow regards vertical proliferation (qualitative improvement) rather than horizontal proliferation of nuclear weapons to new states with greater alarm than does the United States. Russia's posture thus reverses America's that takes greater alarm at horizontal proliferation.³⁸

Russia does not profess undue alarm at this trend. Unlike America it advances no claim to be a global "policeman," does not deploy armed forces abroad (except in some post-Soviet states), and does not employ its forces in serious combat operations. Instead, its greatly reduced conventional power capabilities, coupled with its expansive geopolitical ambitions, are leading it to become a major exporter of sensitive nuclear technologies as it seeks to reduce U.S. influence in world politics.³⁹ It avoids challenging other countries, including actual or potential nuclear and missile-capable regimes. Due to Russia's vulnerability and lack of reliable security protection and commitments from other nations, its non-proliferation stance is much more cautious and flexible than that of the United States. Indeed, it sees the DPRK and Iran as potential partners, not enemies, and therefore will not categorically oppose their programs, as does Washington.

Given Russia's post-Cold War weakness, it has been forced to confront other security threats that are incomparably more urgent to it than proliferation. These threats, as listed by Arbatov, comprise:

- The instability and bloody conflicts across the post-Soviet space and in the North Caucasus of Russia proper (which has a 1,000 km common border with the volatile South Caucasus).
- NATO's continuous extension to the east against strong Russian objections.
- Continuing stagnation of Russian armed forces and defense industries and Russia's growing conventional and nuclear inferiority to the United States and NATO.
- The threat of expanding Muslim radicalism in Central Asia (7,000 km of common border with Russia).
- The scary growth of China's economic and military power (5,000 km of common border with Russia).
- The U.S. plans to deploy missile defenses in Eastern Europe.⁴⁰

Arbatov further observes that Russia's elite broadly believes that it should not emphasize U.S. concerns over Russian ones especially, as they believe, Washington refuses to understand or accept Russia's situation and interests.⁴¹

THE SUMMIT'S ENERGY, MILITARY, AND SECURITY DIMENSIONS

Closer examination of the August 2011 summit simultaneously reveals both less and more than meets the eye. First, Russian officials admit that no pipeline is possible without strong guarantees from the North and South, neither of which has materialized although Seoul agreed in principle to a gas pipeline from Russia in 2008 and clearly prioritizes the search for reliable energy sources.⁴² Second, neither Washington nor Seoul evidently think much of this deal, except for Seoul's enthusiasm about the energy pipeline. Third, Kim actually agreed to nothing tangible. As a South Korean observer noted, if he was serious about this moratorium he would have addressed himself to Washington, not Moscow.⁴³ Fourth, resuming the talks without preconditions directly clashes with continuing ROK, Japan, and U.S. insistence on tangible denuclearization as a precondition for reopening the talks. Meanwhile nuclearization proceeds. Fifth, Russia's agreement to provide this pipeline directly violates UN resolutions on sanctions to which it agreed and underscores Russia's delusion that North Korea can be induced to renounce nuclear weapons by rewarding it despite its long record of duplicity.⁴⁴

Finally, agreeing to establish a commission to investigate setting up the pipeline commits nobody to anything except exploratory discussions that can easily be slowed or terminated whenever it suits any of the parties. Thus, Moscow is pressing Seoul to accelerate negotiations over the pipeline and the accompanying price of its gas because the new DPRK government confirms its intent to realize this project.⁴⁵ Since constructing any multinational gas pipeline resembles negotiating a marriage, doing so under conditions as unpropitious as those currently on the Korean peninsula will inevitably be a long, slow affair. Moreover, although North Korea needs the revenues that the pipeline will generate, it will not rush to finalize an agreement lest others

think it is more desperate than it really is for those revenues. Doing so contradicts virtually everything we know about Pyongyang's negotiating tactics. Russia is the most eager advocate of this pipeline because it believes that only such energy initiatives strengthen its flagging Asian position.⁴⁶ Authorities believe that such large-scale energy initiatives are an essential precondition for returning to Northeast Asia as an independent great power and for assisting the Korean peace process.⁴⁷ Moscow has already agreed to assume responsibility for providing South Korea gas should North Korea block transmission and will sell it at 30% below market price, although it has not specified how it will make up any shortfall.⁴⁸

Other factors also justify caution regarding rapid realization of this project. Moscow may believe or at least profess that its pledge suffices to gain South Korean support and financing, but this critical issue requires more than a pledge to be credible. Moscow can only attain the great Asian power status it craves through leveraging its energy exports in Northeast Asia and building the kind of trade and infrastructural facilities contemplated in these agreements, i.e. the pipeline and the railway. However, the railway and gas pipeline also epitomize the hidden tensions and rivalry in Russian and ROK relations with China. It remains unclear who will pay for these enormous projects. Neither Seoul nor Moscow can meet these objectives today and it is unclear who will subsidize Moscow's objectives with his own resources. Samuel Kim wrote in 2004 that,

Perhaps the most revealing part of the DPRK–Russia Moscow Declaration of 4 August 2001 is embodied in Point Five: “In order to carry out a series of bilateral plans, the Russian side confirmed its intention to use the method of *drawing financial resources from outsiders*, on the basis of understanding of the Korean side.” In other words, Moscow and Pyongyang are now looking to Seoul, Washington, and Tokyo to foot the bill.⁴⁹

Not only does Russia dream about building this Euro-Asian trade network, South Korea has previously expressed such ideas and by locating this railway's terminus and gas pipeline at home, it gains greater security about its energy supplies, shelters them and its overland trade from China's influence, and moves to realize its earlier dream of becoming a Northeast Asian hub.⁵⁰ China too dreams of becoming such a hub through transcontinental trade projects, which bypass Russia. The railway and gas pipeline illustrate the ongoing Sino-Russian rivalry for leverage in the Korean peninsula, whose exploitation is a long-standing Kim family recipe. By doing so, it has added incentive to obstruct resolution of any issues until it gets its maximum price, whatever that is.

Despite Russia's plans for an overland freight service along the Trans-Siberian railway from China to Europe, China has no plans to cooperate on a Far East high-speed railway.⁵¹ Instead, it has launched a global offensive to build low-cost high-speed railways, to undercut Japanese and potential Russian competitors. Chinese officials openly say that due to these investments Chinese products will spread further, the image of Chinese brands will improve, and the result will be to “heighten China's political influence in the importing countries.”⁵² No wonder officials like Xi Jinping maintain that Russia is a vital market for China's “going global” business strategy.⁵³

Perhaps Moscow's understanding of the consequences of China's growing commercial and economic power throughout Northeast Asia explains why a recent article in *International Affairs* stated openly that the economic development of other countries in the Asia-Pacific region actually threatens Russia because it generates unbridled geopolitical competition of influence.⁵⁴ Since leaders expressly link development of the RFE to Russia's capacity to play a "system-forming" role in Asia, failure to develop the area through such major energy, transportation, and trade projects consigns it to being linked to China's regional development plan and contributes to the failure of Russia's "Ostpolitik," a failure having profound strategic implications. Despite Russia's professed identity of interests with China, Medvedev's policy of enhancing Russia's Asian profile does not entail yielding to China in Korea. Therefore, the gas pipeline expresses Northeast Asian rivalries and competing political agendas. It allows Russia to pose as a great Asian power and enhances its standing in the Six-Party Talks because it gains an apparent mechanism through which to influence both Koreas. Otherwise, Russia possesses no way of leveraging tensions in Korea that it openly viewed as perhaps even more dangerous than Iran's proliferation as a threat to international security even before the crises of 2010.⁵⁵

Russia also still envisions engaging South Korea in large-scale transportation, energy, and infrastructure projects in the RFE to forestall a Chinese economic bloc in Northeast Asia and enhance Russia as an intercontinental transportation and trade hub between Europe and Asia.⁵⁶ It is now pushing deals also involving LNG exports to South Korea.⁵⁷ North Korea's unresolved situation and the inability of Russia and China to negotiate an alternative pipeline route through China to the ROK have obstructed meaningful progress on this deal.⁵⁸ Yet Seoul is considering alternatives, e.g. cooperation with Japan to procure LNG, either by joint ownership of a Russian field or cooperating regarding North American shale gas.⁵⁹ It is also intensively working to increase exports from Central Asia.⁶⁰

A breakthrough in this pipeline reduces China's leverage on Russian energy exports. Hitherto any gas pipeline from Russia to the ROK would, absent Pyongyang's assent, have to traverse China, which vetoed any alternatives through Mongolia. Moreover, China and Russia are embroiled in difficult negotiations over a Russian gas pipeline to China. China demands a below market price. Since China has alternatives, Russia had to offer it a concessionary price of \$250/tcm. But a pipeline to South Korea through the DPRK bypasses China, reduces its leverage on Russia, which would be able to supply gas to all of Asia, and allows Russia to insist upon a higher price to China. Indeed, Moscow recently announced that it would not lower its price for gas through the projected pipeline to China even as it offers South Korea a 30% discount.⁶¹ Also, it gains more access to North Korea (one byproduct of the summit is that a Russian intelligence officer will mentor Kim Jong-un, on world affairs).

For North Korea, this defense cooperation revives, at least to some degree, an earlier military relationship. Kim Jong-il visibly sought a military and negotiating partner or supporter/s in the Six-Party Talks. In 2011 China refused to offer military assistance,

and imposed resuming the Six-Party Talks unconditionally as its condition of new economic assistance. Meanwhile China's influence upon North Korea's economy has steadily grown. North Korean officials clearly resent this dependence on China that contradicts the autarchic Juche (self-reliance) ideology even though they need Chinese assistance and support for the succession to Kim.⁶³ Indeed, we should never forget that nuclearization also aims to emancipate North Korea from China's tutelage upon its foreign and defense policies. That desire to escape China's pressure also underlies Pyongyang's frequent, if ham-handed, efforts at rapprochement with Washington. Kim apparently had no choice but to accept China's conditions, but he invoked Pyongyang's long-standing tradition of playing off Russia and China as rivals for influence. And when China announced that it was strengthening military cooperation with North Korea in November 2011 this probably was prompted by Pyongyang's August agreements with Moscow.⁶⁴ This outcome also validated Kim's insight about the ongoing Russo-Chinese rivalry over North Korea.

Pyongyang benefits by expanding ties with Moscow since that induces Beijing not just to be more obliging on military aid but also to relax its linkage between trying to get North Korea to talk seriously with South Korea and providing aid. For example, the DPRK denounced Lee Myung-bak and his "gang of traitors," right after Kim returned from his Beijing summit in May 2011 and announced that the DPRK would wait out the remainder of his term.⁶⁵ This suggests that Pyongyang believes that, "Maintenance of a tense inter-Korean relationship can be a way for North Korea to underscore dissatisfaction with China for failure to fully meet North Korean economic demands and expectation."⁶⁶ Another way to react to disappointment with China is to upgrade ties with Russia.

While Russia clearly covets the status of a major actor on the Korean peninsula, it will do nothing that could potentially destabilize the area lest conflict break out. Therefore, it too would not give North Korea major military assistance. Moreover, North Korea's precarious economic situation means that Moscow would probably be left holding the economic bag for all expenses and costs incurred in doing so. Therefore the limited nature of cooperation restricted to search and rescue operations and the summit's economic agreements, represent, to some degree, a surrogate for the defense agreements that Kim wanted. Nonetheless, for Russia such accords are important because they give it a channel by which it can now talk to the North Korean military, clearly the strongest political bloc or faction in the DPRK. That dialogue could become vital in North Korea's succession and be a means by which Moscow can attempt to restrain what it deems as potentially provocative actions.

Russia knows that DPRK provocations in 2010 not only fostered tighter U.S.-ROK alliance mechanisms, but also triggered South Korea's visible upgrading of defense capability and intolerant stance toward future DPRK provocations. Gaining any leverage over DPRK defense policies without committing Moscow to support those provocations and giving North Korea something to lose if it does act provocatively makes sense under the circumstances.

More recently, North Korea and the United States concluded an agreement wherein North Korea agreed to suspend uranium enrichment, nuclear, and missile tests and allow IAEA inspectors to visit its main nuclear facility in return for 240,000 tons of nutritional supplements. Moscow welcomed the agreement, adding that it now believed the Six-Party Talks would soon be resumed.⁶⁷ Some Russian experts further commented that Russia should exploit the situation after the “Leap Day” accord not just to facilitate resumption of the talks, but also to attempt to reconcile North and South Korean negotiating positions.⁶⁸

Also of potential interest regarding the Korean question is the fact that on March 1 Putin, shortly before being elected president again, stated that he hopes to resolve the territorial dispute with Japan over the Kurile Islands and have the negotiators start at the beginning and work their way through to resolution of the issue. These remarks were welcomed by Tokyo and lent further credence to the idea that Russia was seeking a diplomatic rapprochement with Japan.⁶⁹ Yet, Russia’s Ministry of Foreign Affairs immediately responded by saying that the Kurile Islands’ status was not negotiable, a statement that leaves a question mark over Putin’s initiative and implicitly over Russia’s Asian policy in general.⁷⁰ Worse yet, soon after the “Leap Day” accord, North Korea announced its intention to celebrate the 100th anniversary of Kim Il-sung’s birthday on April 12 by launching a space satellite, an action that would clearly violate UNSC resolutions concerning North Korean testing of missile capabilities and was promptly called a “deal breaker” by Washington.⁷¹ As of this writing, the future of the February 29 accord and Putin’s initiative towards Japan are uncertain, but both resolution of the Korean issue and the Russian effort to make its voice as an independent great power heard in Asia face serious obstacles. For the moment North Korea can pocket Moscow’s gifts and Moscow can delude itself that it is now a great Asian power, but nuclearization continues, the Six-Party Talks remain moribund, and even if they start there will probably not be much to discuss. This may conform to preconceptions of Russian interests, but it is hard to see how anyone benefits from perpetuating the regional stalemate and playing into China’s hands.

So it is not surprising that Moscow has again urged Pyongyang to mothball its uranium enrichment program,⁷² but it will be surprising if Pyongyang heeds Moscow’s call or agrees to conditions for resuming the talks. After all, what can Moscow do to it? It appears to North Korea that, “the northern triangle of Russia, China, and North Korea has come back to life,”⁷³ reviving the division in Northeast Asia between sea and land powers.⁷⁴

The coincidence of strategic interests among these three states is once again binding them together, even though they are not free from intermittent bickering over Pyongyang’s nuclear and missile adventures. Even though Pyongyang’s anachronistic behaviors from time to time baffle Beijing and Moscow, the geostrategic considerations basically drive the two giant neighbors’ policy towards Pyongyang.⁷⁵

[Author’s note: The views expressed here do not represent those of the U.S. Army, Defense Department, or the U.S. Government.]

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Japan's Response to Nuclear North Korea

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When scholars and commentators discuss Japan's response to nuclear-armed North Korea, many jump to the conclusion that Japan will start thinking about arming itself with nuclear weapons while others contend that Japan will remain forever "pacifist." This polemic tendency in the discourse on Japan's security policy has created an unfortunate lack of understanding of Japanese policy. In fact, Tokyo has taken extensive non-nuclear military measures in order to cope with the North Korean threat while being less active in using diplomacy. This chapter sheds light on the military and diplomatic measures that Japan has taken and assesses how effective these measures are, based on the extent and the nature of the North Korean threat toward Japan.

ASSESSING NORTH KOREA'S NUCLEAR AND MISSILE CAPABILITIES

Nuclear Capabilities

In order to determine North Korea's nuclear capabilities, attention must be paid to the amount of plutonium that the country has, the level of sophistication of its explosive device, and the extent to which miniaturization has been achieved. In 2007, the U.S. intelligence community estimated that North Korea had possessed up to 50 kilograms of plutonium, enough for at least six nuclear devices before the first nuclear test in October 2006.¹ Also, the Institute for Science and International Security assessed that while North Korea possessed zero to ten kilograms of separated plutonium enough for up to two nuclear bombs in 1994, the amount had increased to 33 to 55 kilograms enough for six to thirteen nuclear devices in 2006.² In addition, Siegfried S. Hecker, an American nuclear expert who has visited North Korean nuclear facilities multiple times, has assessed from the operations of the five-megawatt reactor in Nyongbyon (called Yongbyon in South Korea) that in the past North Korea had produced 36 to 54 kilograms of plutonium, enough for six to nine nuclear bombs.³

These estimates are more or less consistent with North Korea's declaration on its nuclear status. In June 2008, Pyongyang declared that it had produced 38.5 kilograms of plutonium, of which 31 kilograms had been extracted and 26 kilograms had been used to produce nuclear bombs. It also claimed that two kilograms had been used in the 2006 nuclear test and that 7.5 kilograms still remained in spent fuel rods.⁴

Two nuclear tests in 2006 and 2009 proved that North Korea had successfully produced nuclear devices. In 2006, North Korea predicted explosion yield of four kilotons, but achieved less than one kiloton. So, it was "[s]uccessful, but not perfect."⁵ However, North Korea achieved a much larger nuclear explosion in the range of a few kilotons in 2009.⁶ Hecker estimated it to be in the two to four kiloton range.⁷ These estimates are ominously consistent with North Korea's prediction in 2006.

The only remaining missing link in determining whether North Korea's nuclear weapons have become usable is in the issue of miniaturization. On this point, the U.S. Defense Intelligence Agency (DIA) assessed in March 2009 that North Korea

“may be able to successfully mate a nuclear warhead to a ballistic missile.”⁸ This latest estimate was not a definitive answer to the question, but certainly a scary suggestion. In 2011, the DIA declared that “North Korea may now have several plutonium-based nuclear warheads that it can deliver by ballistic missiles and aircraft as well as by unconventional means.”⁹

Missile Capabilities

Although international attention has largely been focused on the launch of long-range Taepodong missiles, what really matters to the security of Japan is the medium-range Nodong missile capable of covering almost the entire territory of Japan. The Nodong's first flight test took place in May 1993. The missile flew about 500 kilometers and landed in the Sea of Japan; its flight path was in the direction of Tokyo. In July 2006, two or three Nodong missiles were successfully launched in the northeastern direction between the Russian Far East and Japan's Hokkaido area.¹⁰ All of these Nodong missiles impacted in different areas, suggesting that some of them had achieved lofted launches.¹¹ In July 2009, two more Nodong missiles were launched successfully.¹²

The Japanese government has assessed that the Nodong has a range of 1,300 kilometers with a payload of 700 to 1,200 kilograms and circular error probable (CEP) of 2.5 kilometers. If aimed at the center of Tokyo, there is a 50% probability the missile would fall somewhere inside the circular Yamanote subway line. A Nodong would reach Japan within seven to ten minutes of its launch and would be flying at a speed of Mach 15 to 20 at the time of impact.¹³

By 2003, North Korea had deployed some 175-200 Nodong missiles, designed to accommodate conventional, nuclear, biological, and chemical warheads.¹⁴ A more recent report stated that as many as 320 Nodong missiles had been deployed.¹⁵ As it is difficult to spot Nodong missiles mounted on mobile launchers, of which North Korea reportedly possessed about thirty, destroying them before they are launched would be extremely difficult.¹⁶ A positive aspect of this is that the Nodong might not be too destabilizing in a crisis situation since North Korea would not have to launch them prematurely for fear of preemption.

In late 1999, the Korean People's Army (KPA) established the Missile Training Guidance Bureau and all ballistic missile units were subsequently subordinated to this bureau. Since the 2001-02 training cycle when the KPA started to conduct ballistic missile exercises at battalion level instead of battery level, annual exercises with Scud and Nodong units have expanded and many ballistic missile units had been redeployed.¹⁷

As a result, North Korea is already capable of attacking Japan with ballistic missiles. Conventional, chemical, or biological weapons can be used although it might not be technically easy to use chemical or biological weapons effectively. Given the DIA's estimate of North Korea's ability to miniaturize the nuclear device, the assessment is that North Korea “may be able to” now use nuclear weapons against Japan.

SCENARIOS OF MISSILE USE AGAINST JAPAN

There are three scenarios in which North Korea might actually use missiles against Japan. First, there is a military-diplomatic scenario in which North Korea would launch missiles as a part of its effort to coerce Japan into diplomatic submission. Second, there is a wartime deterrence scenario in which North Korea would use or threaten to attack Japan in order to deter the United States and Japan from assisting South Korea in case of war on the Korean peninsula. Finally, there is a scenario in which desperate North Korean leaders launch all-out attacks against Japan. I am not contending here that the likelihood of these scenarios' occurrence is very high. Rather that if North Korea should attack Japan, these would be likely scenarios.

Scenario 1: Military-Diplomatic Use of Force

In this scenario, North Korea would launch a small number of missiles in or near Japan to scare Japanese leaders and citizens into diplomatic submission. North Korea would launch a large enough number of missiles to provoke fear, but limit their damage so that the situation would not escalate too much. North Korea's policy objective in this case would be to obtain concessions to achieve diplomatic normalization with Japan. North Korea could do this by taking the following actions.

North Korea launches one Nodong missile in the direction of Tokyo, but has it fall far short of the city and impact on international waters in the Sea of Japan. It then announces: (a) there would be no more missile tests; (b) the missile tests were necessary only because of Japan's aggressive policy and the steps it has been taking to possess offensive capabilities against the government of the DPRK; and (c) it would like to normalize relations with Japan.

If Japan does not respond positively to the overture, North Korea could then launch a Nodong missile tipped with a conventional warhead toward Tokyo, but have it land in a rural, sparsely populated area on the Japanese mainland. It then announces: (a) the missile was launched only because Japan continued to take a "hostile policy" toward the DPRK and (b) the DPRK will take every necessary measure to prevent escalation of the situation and seek to normalize relations with Japan.

Given North Korea's past adventurism, this scenario is within the range of its rational choices.

Scenario 2: Wartime Deterrence

In this scenario, North Korea would use or threaten to attack Japan in order to prevent the United States and Japan from assisting South Korea in case of war on the Korean peninsula. As in the first scenario, North Korea would scare Japanese leaders and citizens into making a decision to limit Japan's commitment to the defense of South Korea. More importantly, it would seek to prevent Japan from allowing the United States to use military bases and facilities on its soil as part of the war effort in Korea. North Korea would threaten the use of nuclear weapons against Japan unless it accepts Pyongyang's demands. In order to make its coercion credible, North Korea would launch a relatively large number of missiles against U.S. bases and major cities in Japan. On the one hand,

if Japan chose to refuse the United States the right to use its bases, it would risk the end of the U.S.-Japan alliance after the war. On the other hand, if it chose to ignore North Korea's demand, it would risk the mass destruction of Tokyo.

At the same time, Pyongyang would demand that Washington choose between Seoul and Tokyo. In this variant of a Cold War nuclear scenario, Pyongyang would typically ask, "Would you be willing to sacrifice Tokyo for Seoul?"

Scenario 3: Suicidal Attacks

In this scenario, desperate North Korean leaders would launch an all-out attack against Japan. For example, if Kim Jong-un realized that his regime was collapsing and his days were numbered, he might decide to launch massive suicidal attacks against Japan to leave his legacy (though infamous) on Korean history. In this scenario, massive destruction of Japan itself would be the objective. All available forces would be used to attack Japan. For this purpose, North Korea would use some 320 Nodong missiles armed with conventional, or possibly chemical, biological, and nuclear weapons. In the worst-case scenario, several nuclear bombs would be used.

THE JAPANESE RESPONSE

Military Response

Japan's military response to the North Korean threat has three pillars: ballistic missile defense (BMD), civil defense, and extended nuclear deterrence provided by the United States.

Ballistic Missile Defense

Japan's BMD program has come a long way. The government of Japan began preliminary consultations on BMD with the United States in 1993 after the first Nodong flight test took place earlier in the same year. It commenced a comprehensive study on the posture of the air defense system and a U.S.-Japan joint study on BMD in 1995. In 2003, the Japanese government made the decision to actually procure BMD systems. Based on this decision, deployment of BMD units in the Self-Defense Forces (SDF) began in 2007. The deployment is scheduled to be completed by April 2012.¹⁸

Two different systems are being introduced as key components of the Japanese BMD measures. One is the Standard Missile-3 (SM-3) Block IA, an upper-tier, mid-course defense system deployed on Aegis destroyers, capable of shooting down 1,500 kilometer-range ballistic missiles. Four Aegis destroyers will be equipped with the SM-3. The other system is Patriot Advanced Capabilities-3 (PAC-3), a ground-based, lower-tier, terminal-phase defense system. Four air and missile defense groups, with four fire units each equipped with PAC-3, will be deployed in the Tokyo metropolitan area, the central area, and northern Kyushu. Of these two systems, the Aegis-based SM-3 is more important than PAC-3 in the sense that the SM-3 has much wider area coverage, and two to three Aegis BMD destroyers will be enough to protect most Japanese territory. Each Aegis BMD destroyer has ninety vertical launch system (VLS) cells, and the SM-3 missiles will be deployed together with anti-aircraft SM-2 and anti-submarine missiles.¹⁹

With the introduction of BMD systems, the newly developed warning and control radar FPS-5, capable of dealing with both aircraft and ballistic missiles, will be deployed (eventually there will be four of them); and the ground-based early warning and control system—Base Air Defense Ground Environment (BADGE)—has been upgraded and renamed Japan Aerospace Defense Ground Environment (JADGE). The budget earmarked for BMD in FY2012 is going to be 63.3 billion yen, or some \$510 million.²⁰ The total expenditure of procuring the entire system was expected to be between 800 billion and 1 trillion yen, or \$8.7 billion and \$10.9 billion. However, the cumulative expenditure on BMD had already reached 800 billion yen, or \$8.7 billion by 2009.²¹

So far, four SM-3 interception tests have been conducted in December 2007, November 2008, October 2009, and October 2010 respectively in the sea off Hawaii's Kauai Island. In the first, third, and fourth tests, targets were successfully intercepted outside the atmosphere by a SM-3 missile fired from the Kongo, Myoko, and Kirishima Aegis destroyers. The second test was conducted with the Chokai Aegis destroyer, but failed due to the malfunctioning of thrusters.²² PAC-3 has been tested successfully twice in September 2008 and September 2009.²³

In April 2009, both sea-based and ground-based BMD systems were for the first time put into operation for actual contingencies in response to North Korea's Taepodong launch. Under the Self-Defense Forces Law revised in 2007, the Minister of Defense issued an advance order to the Self-Defense Forces units to prepare for the destruction of the rocket which might fall on Japanese territory.

In addition, a U.S.-Japan joint project for developing the next-generation sea-based BMD system is underway. After North Korea launched Taepodong 1 in 1998, Japan embarked on joint technological research with the United States on four major components—kinetic kill vehicles, infra-red seekers, rocket motors, and nose cones—for the next-generation advanced interceptor missile SM-3 Block IIA. In 2005, the Japanese government approved U.S.-Japan cooperative development of the advanced interceptor. The two countries are also working together to improve the capabilities of radar and combat command systems.²⁴

Civil Defense

Civil defense measures had long been non-existent in Japan. However, given the new strategic environment of a North Korean threat, as well as the existence of low-intensity but high-probability threats such as terrorism, Japan has started to take steps to pave the way for providing better civil defense to its citizens. In this context, the Law concerning the Measures for Protection of the People in Armed Attack Situations, or Civil Protection Law, was enacted in 2004. It stipulated how the national and local governments should implement evacuation and relief operations and take necessary measures in response to armed attacks. In 2005, the Basic Guidelines for Protection of the People were adopted and the civil protection plans for administrative agencies were developed. In 2006, based on the guidelines, prefectural governments and designated public institutions in Japan completed the development of civil protection plans. Municipal governments and designated local public institutions are currently developing their own plans. The central government would issue warnings and

instruct prefectural governors to take evacuation measures and use multiple means of communication such as radio networks and satellite communication in case of emergency. In 2005, the Cabinet Secretariat prepared a new warning siren designed specifically for civil defense purposes.²⁵

U.S. Extended Nuclear Deterrence

In addition to strengthening missile defense and civil defense capabilities, Japan has taken steps to maintain and possibly enhance the credibility of U.S. extended nuclear deterrence. In February 2009, Japanese officials met with the members of the U.S. Congressional Commission on the Strategic Posture of the United States and expressed their concerns and wishes regarding the future of the nuclear umbrella provided by the United States to Japan. They said: (a) low-yield nuclear devices with a capability to penetrate underground targets would strengthen the credibility of an extended nuclear deterrence; (b) if the U.S. government was to consider decommissioning the Tomahawk, nuclear-equipped, sea-launched cruise missile (TLAM-N), Japan wanted to be consulted beforehand; and (c) the Japanese government wanted to know more about U.S. nuclear posture and operation plans.²⁶

Apparently as a result of such efforts, the Congressional Commission's final report released in 2009 addressed some of Japan's concerns. Regarding the Tomahawk decommissioning, the report wrote that extended deterrence in Asia relied heavily on the deployment of the nuclear Tomahawk and that "some U.S. allies in Asia" would be very concerned by its retirement.²⁷ It also called for a much more robust process of strategic dialogue, saying, ". . . now is the time to establish a much more extensive dialogue with Japan on nuclear issues, limited only by the desires of the Japanese government."²⁸

The *Nuclear Posture Review* (NPR) published by the Department of Defense in April 2010 was, however, less attentive to Japan's requests made under LDP rule. The NPR did not mention low-yield nuclear earth penetrators, and announced that the TLAM-N served a "redundant purpose" in the U.S. nuclear stockpile and would be retired.²⁹ Some Japanese government officials felt betrayed by this since the TLAM-N had long been hailed as the centerpiece of the U.S. extended nuclear deterrent provided to Japan.³⁰ On this point, the NPR contended that forward-deployment of bombers and dual-capable fighters with bombs or cruise missiles as well as intercontinental ballistic missiles (ICBM) and submarine-launched ballistic missiles (SLBM) would adequately substitute for the TLAM-N.³¹

On the positive side, the NPR offered assurance that no changes to U.S. extended deterrence capabilities would be made without continued close consultation with allies and partners and pledged that the United States would "[c]ontinue and, where appropriate, expand" discussions with its allies.³² In addition, some Japanese policymakers and experts welcomed the U.S. decision not to provide "negative security assurance" to North Korea. They were also satisfied that while the United States would reduce the role of nuclear weapons, it has reserved its right to use them in order to deter and respond to non-nuclear attacks—conventional, biological, or chemical—by North Korea.³³

In the meantime, the advent of the DPJ-led coalition government in Tokyo brought about a marked shift in Japan's attitude toward U.S. nuclear policy. In December 2009, Minister for Foreign Affairs Okada Katsuya sent a letter to U.S. Secretary of State Hillary Clinton and Secretary of Defense Robert Gate addressing the new government's position on nuclear policy. Okada argued that the new government would neither request the United States to acquire low-yield nuclear earth penetrators nor oppose the retirement of TLAM-N. He requested, however, an explanation on the impact of TLAM-N retirement on U.S. extended deterrence and the ways to make up for the possible negative consequences.³⁴ Okada's letter seems to have made the issue of low-yield nuclear earth penetrators much less important and enabled the United States to retire TLAM-N without straining the alliance relationship.

Effectiveness

Japan has deployed BMD systems and taken civil defense measures for the purpose of enhancing deterrence, improving counter-coercion capabilities, and providing damage limitation capabilities. Enhanced resilience to North Korea's military-diplomatic coercion would be the most important asset for Japan in the first scenario. In the third suicidal attack scenario, damage limitation would be of utmost importance. The second scenario requires the mixture of capabilities needed to deal effectively with the first and the third scenarios.

BMD and civil defense are important in improving Japan's counter-coercion power by providing better denial and damage limitation means. With BMD systems in place, ballistic missiles are no longer an "absolute weapon," and the utility of ballistic missiles as a scare weapon would be undermined. On this point, the fact that nobody knows exactly how effective (or ineffective) the BMD systems are in shooting down North Korean missiles helps. The kill ratio would vary significantly depending on the availability of information on the location of enemy ballistic missile launchers and the disposition of friendly Aegis BMD destroyers. It would also depend on missile trajectory, vibration, and the existence of countermeasures. In a world without BMD, North Korean leaders could predict the consequences of a missile attack with confidence. In a world with BMD, they could not be sure what would happen if they actually launched missiles against Japan. They might or might not get shot down. They might or might not create large numbers of deaths and casualties. By complicating North Korea's strategic calculations, the BMD systems would enhance Japan's counter-coercion capabilities.

Japan deployed BMD systems and activated civil defense measures when it was revealed that North Korea's Taepodong 2 launch was imminent in late March 2009. Under the Self-Defense Forces Law amended in 2007, the Minister of Defense issued an advance order to the Self-Defense Forces units to prepare for the destruction of a rocket which might fall on Japanese territory. Two Aegis BMD destroyers were deployed in the Sea of Japan and one was deployed in the Pacific Ocean. PAC-3 units were deployed in the Tokyo area and the northern part of Honshu.³⁵ There were some hitches, such as the minor traffic accident caused by a PAC-3 unit on the way to its destination and false missile launch alarms. Though lamentable, these incidents inevitably happen in contingencies. In fact, Japan came out better with lessons learned from these experiences.

In the most extreme case in which nuclear weapons were used against Japan, shooting down the incoming missiles and taking necessary evacuation operations would make a huge difference. According to a study conducted by Michael Yoo and Dexter Ingram, if a 12-kiloton nuclear weapon is used in Tokyo, 420,000 deaths and 390,000 casualties would result.³⁶ BMD systems with a conservative 50% kill ratio could theoretically save hundreds of thousand of lives. In a more likely scenario of conventional attacks, BMD and civil defense might not make such a big difference, but they would certainly provide necessary protection to the Japanese citizens and help create a sense of security among them, which could be critical in avoiding escalation. It would also make it easier for Japan to find a way out of a crisis.

Moreover, if North Korea continues to increase the number of nuclear weapons, possible use of low-yield tactical nuclear weapons must be debated. Japan will have four BMD-equipped Aegis destroyers by 2012 and they will provide reasonably credible capability to take on a relatively small number of nuclear weapons. However, if the number reaches a certain threshold, BMD will no longer be enough. Given the fact that North Korea's Nodong missiles are operated on mobile launchers, tracking them down and destroying them before they are launched could be extremely difficult with conventional systems. In such a case, the Japanese government might decide to request the United States to think about developing and deploying tactical nuclear weapons including the low-yield earth penetrators.

Future Military Options

In order to cope with North Korea's nuclear and missile development, further military options are being discussed and developed. Among them, the most widely debated option is for Japan to possess limited strike capabilities to conduct counterforce operations against North Korean missiles and missile bases.

On this point, the Council on Security and Defense Capabilities, an official advisory group for Prime Minister Koizumi Junichiro, has already discussed the issue of possible introduction of attack capabilities in its report in 2004. It stated:

Regarding the question of whether it is appropriate, when there is no alternative, to possess offensive capabilities against enemy missile bases as a last resort, a decision should be made after thoroughly examining the credibility of deterrence provided by the United States, effectiveness of missile defense systems, cost-effectiveness of the offensive option, and the impact this will have on countries in the region.³⁷

In the same vein, the Council on Security and Defense Capabilities, organized by Prime Minister Aso Taro in 2009, suggested that to investigate the possibility of acquiring the capability to strike enemy missile bases, Japan should conduct studies of weapons systems, operational concepts, and cost-effectiveness while examining appropriate roles and mission sharing.³⁸ It seems that Japanese security specialists think that possessing independent attack capabilities could actually undermine the credibility of the U.S.-Japan alliance by giving the United

States an option of not taking responsibility for defending Japan and having Japan do the job on its own. As a result, they seem to argue, Japan's continued reliance on U.S. strike capabilities is consistent with Japan's national interest.

In contrast, the LDP has been more positive about possessing strike capabilities. The LDP produced a report entitled, "On the New National Defense Program Guidelines," in June 2009, which suggested that Japan possess counter-missile attack capabilities jointly with the United States by making use of intelligence-gathering and communications satellites, cruise missiles, and small solid-fuel rocket technologies.³⁹ It also suggested that the Aegis SM-3 BMD system be upgraded, real-fire exercises be conducted, and sea-based cruise missiles (namely Tomahawk missiles) be procured.⁴⁰ Though the LDP argues more favorably about possessing attack capabilities, it is noteworthy that it discussed acquiring attack capabilities within the framework of the U.S.-Japan alliance.

Japan has already acquired rudimentary strike capabilities by procuring F-2 fighters, airborne refueling aircraft, and the Joint Direct Attack Munition (JDAM), a guidance kit that converts unguided gravity bombs into precision-guided munitions. However, in order for Japan to conduct militarily meaningful offensive anti-missile operations against North Korea, it would take much more robust strike capabilities and, even if Japan acquired such capabilities, U.S. support on intelligence gathering and targeting would be indispensable. Anti-missile operations are easier said than done.⁴¹

Finally, the Japanese government has addressed legal issues related to attacking enemy missiles and missile-related facilities. In 2003, the Minister of State for Defense Ishiba Shigeru stated that Japan could take military action only if the threatened attack was imminent, no other means would deflect it, and the action was proportionate. Then he contended that the threatened attack would become "imminent" when the enemy initiated the action to attack Japan. Based on this definition, Ishiba said that Japan could start attacking enemy missile forces if missiles were erected on the launcher and fueled, and the enemy's intention to attack Japan became evident. He explained that Japan's attack in such a case would not constitute preemption.⁴²

Diplomatic Response

One of the basic assumptions in Japan's diplomatic approach to North Korea is that the country's most important policy objective is regime survival by way of defying military/diplomatic pressure from outside, normalizing relations with the United States and Japan, and obtaining economic assistance from the outside.

It was in this context that Japan offered normalization of bilateral relations and provision of significant economic assistance in the September 2002 Pyongyang Declaration on the condition that North Korea properly addressed nuclear as well as other issues of Japanese concern. Given the economic reform that North Korea had initiated in July 2002, sizable economic assistance from Japan seemed to have been quite attractive. The Pyongyang Declaration was exceptionally specific in stating what kind of aid packages Japan was willing to provide as a summit-level document: "grant aids, long-term loans with low interest rates and such assistances

as humanitarian assistance through international organizations . . . and . . . other loans and credits by such financial institutions as the Japan Bank for International Co-operation with a view to supporting private economic activities.” The total amount was expected to be at least several billion dollars.

When North Korea informed Tokyo that many of the Japanese abductees had died and presented fake death certificates, however, the Japanese general public was outraged. Since then, the abduction issue has become a big political issue and the Japanese government has had no alternative but to take a tough position toward the North. Just after North Korea conducted its first nuclear test in October 2006, Japan imposed unilateral sanctions on North Korea, banning all North Korean vessels from entering Japanese ports and implementing a total ban on the import of goods from North Korea.⁴³ As a result, Japan refused to provide not only the economic assistance specified in the Pyongyang Declaration but also the 200,000-ton energy aid based on the Six-Party agreements in February and October 2007. Japan imposed additional sanctions after North Korea conducted the second test in 2009, banning all trade activities between the two countries.

Despite these negative developments, Japan and North Korea took steps to improve their relations in 2008. In June 2008, as a result of bilateral talks held in Beijing, the Japanese government expressed its willingness to partially lift sanctions on North Korea if it took concrete steps to resolve pending issues such as the abduction issue. To this end North Korea reversed its previous position that the abduction issue had been resolved and pledged that it would again investigate the issue.⁴⁴ Moreover, in another round of bilateral talks in August 2008, the North Korean side promised to conduct a comprehensive investigation on the abduction issue and complete it by the autumn. The Japanese side agreed to lift its ban on travel to and from North Korea as well as on chartered flights between the two countries when the investigation started.⁴⁵ However, when pro-Asia Prime Minister Fukuda Yasuo resigned in September, North Korea unilaterally suspended the implementation of the agreements, announcing that it would wait to see what the next prime minister would do. The cautious diplomatic initiative of 2008 stalled.

CONCLUSION

Military, diplomatic, and economic policy tools are fairly well mixed, and both positive and negative incentives have been used in Japan's approach to North Korea's nuclear and missile threats. Contrary to its “pacifist” outlook, Japan has taken significant military steps to cope with North Korea's nuclear and missile threats. On the diplomatic front, the 2002 Pyongyang Declaration was a major strategic step forward to solve the nuclear issue and other bilateral issues in a package deal.

In contrast to the steady progress Japan has made on the military front, however, Japan-North Korea normalization talks have been stalled, and Japan's single-minded emphasis on the abduction issue has made it difficult to bring about the same level of progress on the diplomatic side. As a result, the most important question at the present time is whether Japan can reinvigorate its diplomatic effort and make significant progress on this front.

At least on the surface, the DPJ has been more willing to improve relations with North Korea than the LDP. When Hatoyama Yukio came into office in September 2009, he announced his intention to normalize relations with North Korea in accordance with the Pyongyang Declaration, conditioned on comprehensive resolution of abduction, nuclear, and missile issues.⁴⁶ To this, Song Il-ho, North Korean ambassador in charge of Japan-DPRK talks, remarked that North Korea would be willing to resume talks with Japan based on the Pyongyang Declaration, and insisted that two sides decide how to define “resolution” of the abduction issue. Song also said he had taken note of the DPJ emphasis on Asia in its foreign policy platform.⁴⁷ Japan’s policy did not change before the arrival of Prime Minister Noda Yoshihiko, who reiterated in his inaugural policy speech that while the Japanese government would do its utmost to bring all the abductees back as soon as possible, it would seek to “normalize its diplomatic relations with North Korea through the comprehensive resolution of the outstanding issues of concern, including the abduction, nuclear, and missile issues, and settling the unfortunate past” in cooperation with other countries and based on the Japan-DPRK Pyongyang Declaration.⁴⁸ He also told the abductees’ family members that he would be willing to visit North Korea anytime if that leads to the resolution of various pending issues including the abduction issue.⁴⁹ On the abduction issue, Foreign Minister Genba Koichiro has noted that definition of what would constitute “resolution” of the abduction issue must be debated within the Ministry of Foreign Affairs.⁵⁰

If normalization comes about, Japan may provide grant aid, loans, and credits amounting to several billions of dollars to North Korea as part of its effort to reconstruct the country—potentially a game-changer for Korea and the region. However, North Korea is notorious for not repaying loans and is unlikely to dismantle its nuclear and missile arsenal before obtaining economic assistance from Japan. The best Japan can do is to demand that North Korea draw down its nuclear and missile forces in a step-by-step, action-for-action process with the aim of their eventual elimination.

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The View from South Korea

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Change over continuity is now the tenor of the times on the Korean peninsula and beyond. For one thing, the year 2012—dubbed “Super Year”—has begun with election-year politics in many capitals including Beijing, Moscow, Seoul, Taipei, and Washington. For another, the passing of Kim Jong-il has added a new uncertainty to the future of the Pyongyang regime as well as to a host of salient peninsular issues. For still another, in tandem with the beginning of Pyongyang’s self-acclaimed kangsung daekook (“strong and prosperous great country”) drive this year, recent adjustments in the defense planning of main actors—such as South Korea and the United States—will likely unleash new dynamics in peninsular and regional security.

It should be noted at the outset that four major powers—the United States, China, Japan, and Russia—not only have shared interests in a growing number of issues revolving around the Korean peninsula and a broader East Asia, but they are also significantly affected by major developments and trend lines on the peninsula. In 2010-11 alone, such unforeseen incidents as the sinking of the Cheonan (March 2010), the artillery bombardment of Yeonpyeong Island (November 2010), and the sudden death of Kim Jong-il (December 2011) have shown that the peninsula remains a highly volatile place, thus raising the stakes for all major powers concerned.

Not only do the United States and China continue to be the two most influential outside actors on the peninsula, but Korean issues also occupy a central place in their crowded bilateral and regional agenda. Moreover, now that China’s growing wealth and influence are increasingly felt in the region and beyond, the Republic of Korea (ROK), like most other regional states, has to live up to the emerging security and economic challenges of balancing its ties with both countries. It is this larger context of “competitive interdependence” between the United States and China, against which major trends and recent developments on the peninsula should be assessed.

The depth of changes on and around the peninsula calls into question some basic assumptions on which we have previously predicated our expectations concerning the interactions between the four major powers—the United States and China, in particular—and the two Koreas. While the direction and durability of recent changes at the regional and peninsular level remain uncertain, it is prudent to fall back on the enduring patterns and underlying contexts to shed light on new developments.

This essay analyzes the ROK’s emerging strategic framework, covering five distinct issue areas: the domestic context, inter-Korean relations, the growing yet troublesome ties with Beijing, the strategic alliance with Washington, and preparations for a multi-task, high-tech fighting force. The thrust of this essay is not to examine the details of each issue area per se, but to identify their overall trends, major debates, and likely outcomes so as to illuminate the future patterns of change on the peninsula—as envisioned by the South Koreans themselves.

Two caveats are in order. For one, while the ROK maintains a set of long-term national security objectives, its policy priorities and choices differ from one administration to another. For this reason, the incumbent Lee Myung-bak administration’s framework document—i.e., *Global Korea: The National Security of the Republic of Korea*—will be used here to assess the changing contexts of its policy priorities.¹ For the other, in the

aftermath of the Cheonan sinking, the ROK government has taken several important steps to improve its own security. One prominent example is the establishment of such new institutions as the Commission for National Security Review, whose main tasks include revision of Defense Reform 2020, redefinition of the security threat, and a more responsive crisis management system. The Yeonpyeong shelling has only accentuated the need for a higher level of military preparedness to cope with a fuller spectrum of security challenges. Until the pending legislative bills and military reform measures are put in place, the arguments made here—especially those on defense reform—should be regarded as tentative.

THE ROK'S SHIFTING DOMESTIC CONTEXT

As befits a maturing yet fast-changing liberal democracy, South Korean society is being increasingly pluralized, divided, and even politicized. Throughout much of the authoritarian rule, the “conservative government vs. liberal society” divide was the defining characteristic of politics. After the democratization process began in the late 1980s and the so-called “386 generation” arose in the 1990s,² the political pendulum shifted to the left. In light of a new domestic consensus as well as the collapse of the Cold War international order, it stands to reason that the progressive administrations of Kim Dae-jung and Roh Moo-hyun pursued an engagement policy toward North Korea (e.g., the June 2000 and October 2007 inter-Korean summits); promoted a strategy of “cooperative independence” with the United States, and redefined South Korea’s role in the region as “Northeast Asian balancer.” According to Byung-Kook Kim, however, “regional and peninsular politics moved in a direction unfavorable to Roh’s [revisionist] strategic experiments.”³

The political comeback of conservative rule under President Lee Myung-bak and the Grand National Party (GNP)—called Saenuri Party since February 2012—has resulted in an overhaul of the past two presidents’ major policy agenda. In sharp contrast to Kim’s “Sunshine Policy” or Roh’s “Peace and Prosperity Policy” toward North Korea, Lee has pursued, on the basis of “principles and consistency,” a policy of “Denuclearization, Opening-up, and 3,000,” which North Korea has flatly rejected as a ploy to destroy itself. For the past four years (2008-2011) inter-Korean relations have suffered several major setbacks—the Six-Party Talks ground to a halt, the Mt. Keumkang tour was discontinued, the Cheonan and Yeonpyeong attacks caused crises, and the dispute over the dispatch of South Korean condolence delegations to the memorial services of the deceased North Korean leader led to further outrage, lasting into 2012. Inter-Korean relations have turned from bad to worse, as the Lee presidency draws to a close.

Declining support for the incumbent president and the ruling Saenuri Party is evidenced by a multitude of facts.⁴ The April 2011 special elections for three National Assembly seats and for the Kangwon Province governorship—which was widely regarded as a mid-term approval test for the administration—turned out to be an electoral disaster. To add insult to injury, in the October 2011 Seoul mayoral race the GNP candidate was resoundingly defeated by Park Won-sun, a former prosecutor and political novice. Mayor Park’s policies are close to those of

the Democratic United Party (DUP).⁵ Moreover, the Blue House has been engulfed in a series of scandals and bribery cases involving its senior staff members as well as family members ranging from Lee's press and political secretaries to the financial supervisory chairman to his elder brother.⁶

At the beginning of the 2012 South Korean politics are in crisis. The ruling Saenuri Party is run by an emergency committee chaired by the long-time presidential hopeful Park Geun-hye; it has suffered a series of bitter factional struggles and electoral defeats; and it is likely to face further decline in public support unless it comes up with new faces and platforms. The opposition DUP has fared no better. Even if it has succeeded in forming an anti-GNP coalition now headed by Ms. Han Myeong-sook, a prime minister under Roh, and is geared to prevent Ms. Park from becoming the next president, it faces an uphill battle in the April general election. Its results will significantly influence the DUP's chance for retaking presidential power and survival.

The emerging foreign policy and security implications are rather clear. Should the Saenuri Party win the December presidential election with a safe majority in the 300-seat National Assembly, the ROK's North Korea policy for the next five years is unlikely to diverge significantly from the current course, even if it will strive to build trust with and elicit cooperation from North Korea. As to its alliance ties with the United States, it is reasonable to assume that closer bilateral relations, better and more regular policy coordination on major peninsular and regional issues, and a shared vision for the international community are likely to be forthcoming.

If the DUP retakes power, its first task will be to "undo what President Lee has done to what his [two immediate] predecessors achieved," the newly elected DUP chairwoman Han avowed.⁷ Among the likely changes are a return to the engagement policy toward North Korea, a more balanced approach vis-à-vis the United States and China, and a wider diplomatic network beyond the traditional emphasis on the four major powers. In its continuing pursuit of a populist agenda, the opposition coalition is likely to divert the government coffers from defense to welfare spending.

All in all, the increasingly polarized nature of South Korean politics points to greater stakes in the upcoming presidential race. As any major policy issue is inextricably intertwined with others, it would trigger a whole set of policy readjustments in many issue areas. In particular, the ROK's North Korea policy and its alliance relations with the United States are major issues susceptible to change.

NORTH-SOUTH KOREAN RELATIONS: BROTHER ENEMIES?

North-South Korean relations as well as the "North Korean factor" remain highly sensitive issues not only to South Korean domestic politics but also to its ties with the four major powers. They touch upon a wide range of current and future security issues on the peninsula, ranging from the Six-Party Talks and denuclearization/counter-proliferation efforts to the future of the North Korean regime to peaceful Korean unification.

For the period under review the sinking of the navy corvette Cheonan and forty-six sailors aboard the ship turned out to be another sad chapter in the long history of armed conflict between the two sides. According to the final report of the ROK-led international investigation group tasked to find out the causes of the sinking, it was a DPRK-made torpedo (MS-19) launched from a Yuno (or Yeono)-class submarine that caused the devastation. Among both substantial and circumstantial evidence, the group points to the whole propellant section of the torpedo recovered from the seabed where the ship sank, a strong indication of North Korean culpability.⁸

Pyongyang has flatly rejected any possibility of its involvement, offering instead to send its own team to investigate the wreckage. According to Pyongyang, moreover, the factors that directly affect the security of the Korean peninsula are “DPRK-US and DPRK-Japan hostile relations, US-Japan and US-south Korea military alliances, the attempt to build US-Japan-south Korea tripartite military alliance, long-term stationing of nuclear armed US troops in south Korea and the US military strategy aimed at containing China and Russia.”⁹ As to the Cheonan sinking, it has even argued “the US made such [an] absurd assertion [about the sinking,] which reminds one of a thief crying ‘Stop the thief!’” and “the US is invariably pursuing a hostile policy towards the DPRK to isolate and stifle it.”¹⁰

In the above statements, North-South relations are conspicuous by their absence; they are, in fact, in a nosedive. The prospects for an early resumption of the Six-Party Talks are slim as long as peninsular tensions remain unabated. The February 2012 deal in Beijing between Washington and Pyongyang on the temporary halting of the latter’s uranium enrichment activities as well as nuclear and long-range missile tests for “nutritional assistance” has again tantalizingly raised hopes for the resumption of the Six-Party Talks.¹¹ A new twist, however, is North Korea’s unexpected announcement in mid-March on the planned launch of a satellite atop a long-range rocket on or before the centennial of Kim Il-sung’s birthday, which falls on April 15.¹² In a curious yet familiar way North Korea has again identified the United States as the prime security threat to itself and the peninsula and its sole legitimate counterpart for talks.

The December 19, 2011 announcement of the passing of Kim Jong-il transpired in the post-Cheonan context of tense inter-Korean relations. The succession in the Kim family is a major event that has attracted keen attention but there is no way of knowing what actually goes on in Pyongyang. There are at a minimum three schools of thought on the future of heir apparent Kim Jong-un and his regime. One school points to 28- to 30-year-old Kim Jong-un’s rapid succession to his father’s official titles,¹³ China’s firm support for the younger Kim, the nonexistence in North Korea of organized opposition to his rule, and the political backing by his family members as well as by ranking party-military personnel. This orderly succession scenario assumes his eventual consolidation of political power, thanks to the “collective advisorship” or “collective interregnum.” As the DPRK is a socialist state cum feudalistic kingdom, the recent collapse of authoritarian regimes in the Middle East and North Africa will not be repeated in North Korea, and that Kim Jong-un will be able to rule the country as another “great” leader, argue those who subscribe to this school.¹⁴

Another school has a long list of doubts and anxieties, including the younger Kim's leadership qualifications, his relations with septuagenarian military aides, economic problems, and diplomatic isolation. Specifically, they argue, any sort of collective leadership is inconceivable in such a dictatorial state as North Korea; its systemic weaknesses have little chance for future improvement; and in a state of "survival by instability" it must periodically rely on external instabilities and threats, which, in return, will exacerbate its internal and external difficulties. This school of thought, therefore, anticipates the continuation of tension-ridden inter-Korean relations and argues for the need to prepare for possible instability in North Korea.¹⁵

Still another school takes neither extreme views nor a middle-of-the-road position. It essentially argues for "short-term stability, long-term instability" in North Korea. Chinese Central Party School scholar Zhang Liangui, for example, points to the fact that there are no appreciable changes in post-Kim Jong-il North Korea as if he is still alive. This does not mean that the political succession is smooth and stable, Zhang continues, it just means that the younger Kim has not yet faced the hard test of consolidating his own power base or pursuing his own policies in the face of domestic and external challenges.¹⁶ Besides, as many observers have argued, how to resolve the economic problems without jeopardizing North Korea's survival—which in part depends on the state of Six-Party Talks—remains a moot question.¹⁷

Outside observers emphasize endogenous factors as the main causes for North Korea's external behavior, whereas the North Koreans themselves—as well as the Chinese officials and experts alike—stress exogenous factors to explain its external and internal behavior. Regardless of the source of its behavior, the situation in North Korea remains a significant factor in considering peninsular security, thus raising the stakes for all parties concerned.

A "STRATEGIC PARTNERSHIP" WITH BEIJING?

That the ROK and China have since 1992 remarkably improved their bilateral relations in all major issue areas is beyond doubt. In economic terms, China has emerged as the ROK's "four No. 1s": its largest trading partner, its largest export market, its largest importing country, and its largest trade-surplus source. In 2011, for instance, the trade volume was \$220 billion with a surplus of \$47.8 billion in the ROK's favor.¹⁸ This is, indeed, music to the Korean economist's ears as its economy has, otherwise, remained stagnant for some time. On the political and diplomatic fronts as well, China and the ROK hold frequent high-level meetings on a bilateral and multilateral basis. As long as the current and future Chinese leadership prioritizes economic development, which depends, in part, on regional and peninsular stability, China would likely continue to emphasize "peace and stability" on the peninsula. As befits growing ties and frequent contacts, the official relationship was elevated to a "strategic cooperative partnership" (*zhanlue hezuo huoban guanxi*) in May 2008. While growing bilateral ties are commendable, this does not mean that the two sides are supportive of each other's major policy goals—especially when it comes to concrete issues and longer-term questions on

the peninsula. Included in this long list are such important questions as Korean unification, the Koguryo historical case, North Korean residents in China, and the end-state of the North Korean regime.¹⁹

In fact, the twenty-year ties between Seoul and Beijing have shown mixed results: a) uneven growth in different issue areas—the so-called “hot economy, cold politics”; b) rapid expansion in the number of actors and in the scope of their ties; c) the effect of the “rise of China” on their bilateral ties; d) the growing gap in their respective national power; and e) a widening gap between official rhetoric and reality.²⁰ It is in this changing context that whenever bilateral disputes arise, they tend to spur popular resentment toward the other side, as seen in the death of an ROK maritime policeman in late 2011 and in the repatriation of North Koreans from China in early 2012.

In a nutshell, the three most fundamental and longer-term questions in the ROK’s diplomatic and security relations with China are: a) In light of the U.S. role and influence in regional and peninsular security and of China’s growing importance to the ROK, how is it best to cope with the United States and its competition with China? b) How can the ROK reconcile its need for cooperation with China and, at the same time, its potential conflicts with China, as noted above? and c) What role would China actually play in the future of North Korea and the Korean peninsula? As a barrage of South Korean newspaper articles and commentaries criticized China’s attitude toward the Cheonan sinking as well as toward the ensuing ROK-U.S. combined naval exercises, one may ask this critical question: “Would China behave the same way once the unification process begins as it did in this crisis?”

China’s “military rise” is an issue of growing security concern to the ROK, but it is often viewed as of long-term nature. Of all factors that affect China’s calculus toward the peninsula the geostrategic and historical considerations remain most enduring and consequential. First, the peninsula is not only located closest to China’s capital but it also shares a 1,400-kilometer (880-mile) land border with China. Furthermore, Chinese strategists often perceive the peninsula as a “route” (*tonglu*) between the maritime and continental powers. Second, it is also in this peninsula that the fledgling PRC fought with the mighty United States sixty years ago. Before that, historical rivalry between China and Japan over the peninsula and the West Sea (Yellow Sea) also illustrates the strategic importance of the peninsula. Third, in China’s view, fast-growing economic ties between Beijing and Seoul testify to the validity of China’s ongoing reform and opening drive. Fourth, not only was traditional Korea part of the Sinocentric world order, but China’s potential to become a full-fledged great power or superpower will likely be tested again on this peninsula.

More specifically, China’s operational SSNs and SSBNs are not only harbored in the North Sea fleet but they mostly patrol in the Yellow Sea and the East China Sea. China’s future carrier battle groups, once they become operational, would also likely be located in the vicinity of the peninsula. China’s increasing number of modernized combat aircraft as well as of conventional missiles needs to be reckoned with, even if they are not necessarily targeted at the peninsula. More

immediate attention should be given to the PLA's rapid reaction forces (RRFs). By the present estimate, seven out of the PLA's eighteen group armies (GAs) are RRU or mobile forces (MFs), and four of them are located in the Beijing (38th and 27th), Shenyang (39th), and Jinan (54th) Military Regions (MRs). In light of the past patterns of China's use of force in a diplomatic crisis as well as the growing body of evidence for North Korea's internal weaknesses, they could be employed in a variety of future North Korean contingencies such as a humanitarian crisis, a large flow of refugees, or instability in the border areas.

China's "military rise" will continue to influence the security environment. In addition to military consideration, therefore, the ROK should work for the improvement of overall bilateral ties that can pave the way to reunification. As long as China's future position on the peninsula remains uncertain, the ROK must simultaneously pursue both "exchange and cooperation" and "anticipation and preparation" in case China changes its current course of "peace and development." A hedging strategy—as adopted by most regional powers—will remain the most reasonable approach for the foreseeable future.

If China's "benign and reliable" policy is not forthcoming and, in particular, when it becomes a more daunting military power with a campaign-level fighting capability, the ROK cannot help but further strengthen its defense ties with the United States. Not only the ROK, any regional states that are likely to be affected by the PLA's growing anti-access capability should take this into consideration. Avoiding any "containment" network, the individual states should be able to prepare for any possible disruptions in the regional balance of power through regular consultations, transparent planning, and joint exercises among themselves.

THE STRATEGIC ALLIANCE BETWEEN THE U.S. AND THE ROK

South Korea is a genuine middle power by any definition. Given its geographical location as well as its neighboring major powers, however, it is a relatively weaker power. To overcome its continuous plight, there are only two ways: "internal balancing" and "external balancing." The object of the latter should have a) no territorial ambitions, b) a will and capability to assist in time of crisis, and c) a proven historical record to be a benign power. The only country which meets the three conditions is the United States. Besides, it is imperative to ponder over how South Korea emerged from the ashes of the Korean War to become an economic powerhouse—achieving one trillion dollars in trade in 2011—with enhanced international stature. The essence of its external balancing is, therefore, to maintain a special relationship with the United States. In fact, the alliance between the ROK and the United States has been one of the most successful and enduring security ties in the post-World War II era. Their geographical and cultural distance notwithstanding, both countries have weathered political and economic storms in their growing bilateral ties. The balance sheet has been mutually satisfactory: the U.S. security commitment has helped the ROK to grow into a democratic, industrial state, while the U.S. has maintained a secure forward position at one of the world's strategic crossroads.

In the post-Cheonan context as well, Seoul has further strengthened its alliance ties with Washington. A train of such developments as U.S. support for ROK positions at the UN Security Council, the 2+2 meeting in Seoul, and the combined naval exercises indicates the Lee Myung-bak administration's closer ties with the United States and Japan. Additionally, the scheduled transfer of wartime operational control (OPCON) in April 2012 has been adjusted to December 2015, reflecting changes in the ROK's post-Cheonan security environment.

Another dimension of the Cheonan crisis is the growing awareness of the importance of U.S.-China relations in peninsular security.²¹ In post-Cold War East Asia, China's rise has been a "strategic reality" to the United States and regional countries in their economic and diplomatic activities. Likewise, China's ascendancy could cause a change in the regional structure of power in which the United States maintains the leading and stabilizing role, a host of bilateral alliance and defense ties, and a set of economic and security objectives. It is in this context that what Michael McDevitt called "capabilities competition" between the United States and China should be seen.

Given China's recent series of more assertive foreign policy behavior—at a time when a more reassuring attitude is called for—such as its position on a civil nuclear agreement between Washington and Hanoi, its more confrontational behavior in the South China Sea, and its diplomatic row with Japan over a fishing boat collision, it stands to reason that neighboring countries are concerned about how China might use its new power and influence.²² In addition, in light of vast differences in strategic visions, political systems, social values, and regional objectives, it is logical to assume that the United States and China will remain divergent over peninsular and regional issues, such as a missile defense (MD) system, the Proliferation Security Initiative (PSI), maritime safety, and "strategic flexibility." At the peninsular level future developments such as a North Korean contingency, the future status of the U.S. forces in Korea, and the strategic posture of a unified Korea are issues of great unknown consequences.

An intriguing question is whether closer ROK-U.S. alliance relations would invite a harsher reaction from China—thus detrimental to the ROK's relations with China—or would they be beneficial for China's overall posture toward it. As long as the Chinese government views the alliance as part of U.S. "containment" strategy and its position remains similar to that of North Korea, China is likely to take a critical stance toward the alliance, making peninsular and regional issues more difficult to resolve. The opposite—i.e., the ROK's distraction from the alliance—would be far more consequential for the ROK, however, possibly leading to a more independent yet isolated state without a reliable ally. It is, thus, in the interest of the ROK to maintain rock solid ties with the United States, notwithstanding the rise of China or their effect on the U.S.-China relationship.

At present, the U.S.-ROK relationship is officially termed "strategic alliance," a redundant label which emphasizes their shared values such as freedom, human rights, liberal democracy, and the market economy. Ties are built upon mutual trust, growing interdependence, and peace-building efforts at all levels. The

KORUS FTA, which entered into force on March 15, 2012, as well as the “Go W.E.S.T.” (Work, English Study and Travel) program for Korean youngsters are examples of continuing efforts to boost their maturing ties.

Changes in inter-Korean relations could have a significant impact on the future course of the ROK-U.S. security relationship. Recent domestic and external changes in the two countries have not only influenced the alliance, but they have also raised new issues or old issues in a different form which are endogenous to the alliance. While those issues have largely been subordinated to their national interests so far, they could become sources of strain for the alliance if long unresolved.

A MULTI-TASK, HIGH-TECH DEFENSE FORCE

The ROK’s defense plan not only reflects long-term strategic objectives, but it also builds on existing programs such as Defense Reform 2020, which is now under significant revision. In view of the continuing dual task of preparing for present-day threats as well as future uncertainties, the ROK armed forces are geared toward achieving a host of objectives including a technology-intensive fighting capability, a balanced, joint military structure, sharing of combined assets with the U.S. forces, and a higher level of responsiveness for a wide spectrum of nontraditional security threats.

These goals will be adjusted in accordance with changes in the security environment, many of which are unknowable at this time. Included in this category are: a) the future of North Korea and its nuclear program; b) the fluctuation of U.S.-China relations and its impact on the peninsula; c) uncertainties surrounding Chinese military intentions; and d) the emergence of unforeseen security threats in the region and beyond. The Cheonan crisis, for instance, has had a far-reaching impact on the defense planning of South Korea.

The most fundamental and comprehensive defense plan for the future shape of the ROK armed forces is the Defense Reform Basic Plan, 2011-2030 or the DR 307 Plan for short. Its primary purpose is to enhance the ROK armed forces’ independent fighting capability at the peninsula-level theater. It thus incorporates a gradual transition to the ROK’s military role as a leading force from the previous supporting one. The timetable has already been set as December 1, 2015 when the wartime OPCON is transferred to the ROK commander from its U.S. counterpart.

Four priority programs of the DR 307 Plan are worth mentioning. First, it aims to enhance the capacity to counter future North Korean provocations by striking the origins of provocations as well as its basis of support. This is a prime lesson learned from the Yeonpyeong shelling when the same types and level of weapons were used to prevent armed conflict from escalating. Any further provocations from the North would be met with a far greater level of retaliation, including air strikes. The creation of the Northwest Defense Command in June 2011 is geared toward defending the conflict-ridden islands near the Northern Limit Line (NLL) in the Yellow Sea.

Second, the DR 307 Plan will restructure the armed forces' upper-tier command and control system. The ROK has long maintained a dual command structure in which the defense minister carries the military administrative authority, whereas the joint chiefs of staff exercise military command. Under such structure each service chief has only limited authority over military administration, but not over military command. This will be changed into an integrated structure in which each service chief exercises both functions, allowing each service to develop its own information-gathering capability, a critical factor in responding to limited provocations from the North.

Third, the DR 307 Plan sets out a phased defense modernization drive to counter North Korean provocations by improving the joint nature of all services. For the first phase (2011-12) requisite weapon systems and equipment will be acquired to counter limited provocations from the North beyond the existing acquisition program. The second phase (2013-15) will necessarily focus on securing core capabilities in preparations for the OPCON transfer. The final phase of the DR 307 Plan (2016-30) envisions a multi-task, high-tech force to deal with future challenges, which are often interpreted as regional threats.

Fourth, it also points out the emerging need for the ROK armed forces to play a greater role in regional and global security. It not only suits the ROK-U.S. Joint Vision Statement, in which the alliance's regional and global scope is specifically mentioned, but the overseas experiences will doubtless help manage contingences which might arise on the peninsula. The Plan also specifies the continuing role of ROK peacekeeping operations around the world.

Far-reaching and ambitious as it might be, the DR 307 Plan has been pending at the National Assembly and is likely to be passed some time after the formation of a new legislature in April 2012. This has already caused a delay in the implementation of several reform measures such as the Initial Operational Capability (IOC) in the first phase, as noted above.²³ Only then can the ROK military restructure its organizations, acquire core capabilities, and execute exercises to achieve the Full Operational Capability (FOC) by December 2015.

In terms of preparing for present and future security challenges, the ROK's defense planning based on the principle of "limited defense sufficiency" should continue.²⁴ It means, among others, a minimum defense capability to deter and deny military provocations and to respond to small-scale conflict on and near the peninsula. In the near term, it should be able to cope with possible maritime conflict in the Yellow Sea on top of the existing military threat from North Korea. In the mid- and longer term it calls for a capability to raise the cost of military provocations, which depends upon a more independent intelligence-gathering capability, effective naval and air power, and a high-tech force.

CONCLUSION

From the above discussion on five issue areas that touch upon Korean security, we may deduce several findings. One is the importance of the results of the 2012 elections for programs such as defense reform and relations with North Korea and the United States. While election politics everywhere focus mostly on the domestic agenda, the politicized nature of Korean society as well as the opposition's relentless critique of the incumbent administration (the so-called "politics of vengeance") is not reassuring, especially in view of the continuing North Korean threat as well as the need for a stable transition in the ROK-U.S. alliance in the years ahead.

Another is the persistence of a host of uncertain issues that involve the United States, China, and the two Koreas. Given the possibility of prolonged "competitive interdependence" between Washington and Beijing and their likely divergent interests over peninsular and regional issues, South Korea needs to continuously prioritize its strategic relationship with the United States over that with China, even if it should also build cooperation and confidence with China. As a corollary, South Korea should be able to reap the benefits of its U.S. alliance ties with the U.S. in addressing the growing importance of the "China factor" to itself.²⁵

Still another is the need for a two-sided strategy toward China. As it is entirely possible that China will remain a source of both despair and hope in realizing national objectives, South Korea needs to hammer out mid- to long-term policy plans toward China that encompass the Korean unification process. Its more immediate goal should be building cooperation and trust with China to raise the costs if and when the latter changes its emphasis on peace and stability on the peninsula. The quintessence of this strategy is to maintain exchanges and cooperation in select yet wider areas, while anticipating and preparing for a reversal of its present course toward the Korean peninsula—as perceived in South Korea in the aftermath of the Cheonan sinking.

It remains a daunting challenge for the Korean government to cope with a combination of domestic and external uncertainties—now and in the future. A series of recent developments beyond the peninsula including the global economic downturn, a shift in U.S. military strategy, and new leadership line-ups in major actors would invariably interact with inter-Korean relations. At a time of great change it is sensible for all those involved to weather the current, difficult phase on the Korean peninsula in a cooperative and prudent manner. This is the real litmus test for the viability of a peaceful Korean peninsula in the face of divergent and unrelenting national interests of the United States, China, and the two Koreas.

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Regional Community Formation:
National Identity, Migration,
and the Rise of China

INTRODUCTION

One of the requirements for an East Asian Community, the agreed objective of regionalism, is the formation of social networks that forge trust and a sense of common purpose and identity. China, Japan, and South Korea would appear to have a favorable foundation for such networks. Economic integration keeps booming. The number of tourists traveling between these countries keeps growing. Confucianism provides a common cultural foundation. An annual summit highlights trilateralism as a framework for regionalism. Yet, national identity gaps, distrust over security, and ethnic enclave tensions are interfering with community ties. They are linked to clashing conceptions of China's centrality and of how its rise impacts regionalism.

The three chapters in Part 3 put China at the center, while stressing various sociological themes of regional community formation. They point to the paradoxical conclusion that the more economic ties have grown and interaction between China and South Korea increased, the greater the distrust. While historical memory continues to pose the primary problem of trust in Japanese-South Korean relations, it is only one of many factors unsettling Sino-South Korean relations at the level of individual perceptions and social networks. Despite expectations that Japan would have the most difficulty in building trusting relations, the downward spiral in Sino-South Korean mutual perceptions since 2004 is most acute.

A recent Chinese book, which carefully examines South Korean images of China from a wide range of sources—the media, textbooks, surveys, focus groups, and interviews with experts—argues that there are measures China can take to improve its public perception.¹ Although the book offers diverse explanations for a lack of objectivity by South Koreans, its primary advice is how to portray China in a more positive way. First, it points to the need to boost economic development so that South Koreans do not continue to underestimate China's world rank and focus on the disadvantages rather than the opportunities in economic relations. Yet, the principal problems, it reports, are images of spiraling inequality, deepening environmental damage, and declining complementarity between economies as China becomes more competitive. To meet such concerns China must do more than outgrow an image problem. It must address social problems linked to politics and anxieties about economic unfairness, not subjects that Chinese authors are normally at liberty to analyze with candor.

The second piece of advice to China is to provide more positive signals about Sino-South Korean relations. Indeed, the survey found that China is less trusted than the United States, Japan, and even Russia. The authors do not explain what signals are required, but they list in order what focus groups said about the reasons for the perceived problems in relations. First is the Sino-North Korean alliance, as seen in the answers of 82% of the respondents that China does not support reunification. Second is divergence over history, especially the ancient Koguryo state, which raises sovereignty concerns and doubts about China's intentions in regard to North Korea. Third is the contrast in social systems, indicated by Koreans

who draw attention to China's socialist system. Again, Chinese authors, however much they favor efforts at raising China's soft power (in contrast to other Chinese who became vocal in 2010 in insisting that China should be more assertive in brandishing its economic power and other hard power), are not free to challenge the major decisions on such issues.

A third problem, covered at length although no advice is expressed, is the cultural gap, as seen in the adjectives selected by South Koreans to describe the Chinese and their anger toward supposed South Korean claims to have improved upon Confucianism and to have invented cultural festivals that Chinese regard as their own. These adjectives range from dirty to arrogant, implying that the Chinese are insensitive to the feelings of others and devious or calculating. No mention is made of how arrogantly China's leaders have treated South Korean leaders or how little effort China has made to recognize the diversity of Confucianism. In the book's introduction, long-time institute director and supporter of regionalism Zhang Yunling warns that China cannot simply stress the positive and expect to raise its image. It must have the self-confidence to look squarely at how others perceive it and recognize that it can be viewed as scary—a monster swallowing the world. This forthright analysis offers valuable insight into what the dark side of China's image is and how it might best respond.

The three chapters in Part 3 explore the forces that have led to distrustful images and relations between South Korea and its two neighbors. All raise issues of national identity. In Gilbert Rozman's chapter, he concentrates on two dimensions—vertical and sectoral—of a six-dimensional framework for the study of national identity, and introduce the concept of national identity gaps for comparisons of the two bilateral relations in the region. In the following chapter, Leif-Eric Easley introduces the concept of security trust, relating it to national identity differences. Then Sharon Yoon focuses attention on the impact of interactions between South Koreans living and working in Beijing and the Chinese Korean community. These three perspectives highlight the trust deficit felt on both sides,, and expand our understanding of what alternatively has been labeled the constructivist, identity, or cognitive approach to how two nations choose cooperation or conflict in dealing with each other. Sino-South Korean ties, even at the level of Korean sojourners in Beijing and Korean Chinese seen through the lens of China's image, are troubled by the pervasive impact of national identities.

In two of the chapters, distrust between the South Koreans and Japanese serves as a basis for comparing relations between the South Koreans and Chinese. From the perspective of historical memory, the gap with Japan appeared to be much wider, although as the range of historical issues of concern has expanded, this has been less so of late. However, seen through the lens of claims about what is distinctive about one's society—the vertical dimension—and about the cultural, political, and economic identities that comprise its sectoral dimension, the identity gap with China is wider and has been widening rapidly in recent years. In addition, security distrust provides another lens through which a widening gap is visible.

These frameworks to assess dyadic relations do not conceal lingering problems in Japanese-South Korean mutual images. Comparisons expose similarities as well as differences. Combining these two dyads through these new frameworks for studying images of another nation reorients our thinking toward international relations.

Whereas the Easley chapter differentiates aspects of identity perceptions and analyzes perceptions of national identity differences, there is considerable overlap with my chapter's treatment of national identity dimensions and gaps. Both focus on bilateral relations through perceptions of identity and how they have changed in recent years. Both chapters conclude that there has been a reversal in the scale of the national identity gaps in the two East Asian bilateral relations in the period from the mid-2000s through 2010. They also argue that this outcome is likely to endure; the forces driving the national identities of China and South Korea further apart and drawing those of Japan and South Korea closer together appear sustainable. The fact that these findings are specific with regard to the timing and degree of transformation in differences, which can be evaluated from published sources and interviews, demonstrates the utility of these approaches.

Yoon uses a micro-interactional approach to study how cognitive schema of Korean ethno-national identity are embedded in national identity gaps. Showing how such gaps critically shape the narratives of ethnic identity in the everyday lives of individuals living and working in the Korean enclave in Beijing, she observes a process of dual marginalization. The culturally hybrid identities of the Korean Chinese do not fit into the existing schemata of the South Koreans and Han Chinese and as a result, they are marginalized as outsiders from both communities. This limits their roles as cultural intermediaries between the South Korean immigrants and Han Chinese in the enclave. In this analysis one sees how national identity gaps reverberate in interpersonal relations, making it difficult even for people viewed as co-ethnics to find mutual understanding.

The three chapters in Part 3 demonstrate a deep sense of mistrust whether the gap is centered on perceptions of differences in the way society is structured and culture has evolved, international relations are conducted with an emphasis on security, or personal relations are forged within communities in day-to-day contact. National identity gaps are having a powerful impact on the way East Asian nations relate to each other and social networks are inhibited from contributing to a regional community. No matter how fast China, Japan, and South Korea become more closely integrated economically, if China does not find a different way to increase trust and narrow national identity gaps, then the prognosis for genuine regionalism and even for a positive atmosphere for security is not favorable. Although the United States has been excluded from most of the discussion in these chapters, China's identity gap with it sets the background for stunted regionalism.

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South Korean National Identity Gaps with China and Japan

GILBERT ROZMAN

Read the Chinese Internet and mainstream publications, and you will find virulent charges against South Korean attitudes toward China.¹ Peruse even a small sample of a vast outpouring of Japanese popular books on South Korea or previous copies of *Sankei shimbun*, and you cannot miss the hyperbolic accusations against South Korean attitudes toward Japan.² Both nations' sources often attribute to the South Korean public obsessive emotional reactions to historical memories and cultural issues.³ At the same time, Korean sources find the Chinese Internet replete with intense emotionalism toward South Korea and charge Japanese with skewed perceptions of history and of Korean culture.⁴ The culture wars are not receding in East Asia despite the widened divide over security issues, such as North Korea's nuclear threat, and the uncertain state of economic growth at a time when China's development model has begun to teeter a little and the world's financial picture remains cloudy. How do we explain the current preoccupation with the national identity divide in both Sino-South Korean and Japanese-South Korean relations?

In 2002 the progressive candidate Roh Moo-hyun was elected president on a wave of anti-Americanism. From 2004, South Korean-Chinese relations began a downward spiral over different perceptions of the nature of the ancient Koguryo state. In 2005 Roh's anger with Japan led him to question the entire course of normalization over forty years. Echoes of each of these outbursts were heard periodically in later years, for instance, in 2008 when China's pre-Olympics "sacred torch parade" through Seoul rekindled distrust on both sides and as Japan's claim to sovereignty over the tiny Dokdo/Takeshima Island aroused South Koreans anew. Descriptive accounts abound of such emotions in East Asia. The challenge is to systematize analysis of these divisions and how they keep impacting international relations. Centering on South Korea's ties with its neighbors, this chapter highlights sociological factors that keep undergirding international relations in East Asia.

The concept of national identity has gained increasing popularity since the end of the Cold War, applied to the countries of East Asia by social scientists of many orientations and diverse disciplines. Few would doubt its salience in the bilateral disputes that keep inflaming emotions in this region. Yet, there is scant attention on analyzing the interrelationship of the national identities of two countries based on comparisons of pairs of identities and examination of the interplay within each pair. Here I take South Korea as the common denominator, assessing the recent character of Sino-South Korean and Japanese-South Korean national identity gaps.⁵ Keeping the focus on the vertical dimension of identity, which refers to self-images of what makes the inner-workings of a country distinctive, I highlight domestic factors that impact international relations. Also, I draw attention to cultural national identity and its linkages with economic and political national identity, which are lumped together as the sectoral dimension. The identity gaps between South Korea and its two neighbors remain wide, putting these relationships at risk, as seen in recurrent tensions couched unmistakably in identity terms, notably in the mass media.

In this analysis national identity is defined as beliefs about what makes one's state unique in the past, present, and future. A national identity gap is considered to be a divide separating two states, where at least one considers the other salient to its national identity. Whereas most discussions of identity gaps in East Asia center on the temporal dimension, which refers to views of history, the approach here is based on differentiating as many as six dimensions. The horizontal dimension refers to views of the outside, including the international community, regionalism, and relations with the United States. Second to the temporal dimension, this is the most widespread in writings on East Asian bilateral relations. Another dimension is ideological, which has figured less importantly in recent years even if it seems to be gaining some traction in China again. Together the gaps observed for these three dimensions plus the vertical and sectoral dimensions of special interest here, combine into what I call the intensity dimension. Separately, I have estimated that the intensity of the national identity gaps between China and Japan and between China and South Korea have grown much wider in recent years, while that between Japan and South Korea began to narrow, but haltingly.⁶ Focusing on two identity dimensions, this chapter views the two divergent identity gaps involving South Korea, largely setting aside the Sino-Japanese national identity gap.

THE SOCIOLOGICAL CONTEXT AND NATIONAL IDENTITY STUDIES IN EAST ASIA

Sociology has long highlighted collective identities and the impact of the state on them. Whether one is prioritizing social class identity, racial and ethnic identities, or civil society, there is a pattern of assessing how a state's identity reinforces or restricts expression of intermediate identities that can serve to limit the state's authority and reach. Interest in East Asian collective identities proceeds in the shadow of recognition of the dominance of inflated state identities. This is the case for China, Japan, and South Korea. Communist rule in China boosts state identity further, while democracies are characteristically tolerant of collective identities.

National identity factors appeared to be eclipsed in post-Cold War East Asia except when aroused by Japanese leaders, such as in visits to the Yasukuni Shrine. For at least a decade after normalization of Sino-South Korean relations, both sides avoided mention of ideological, historical, political, and cultural divisions that could prove sensitive to the other state. When the Koguryo issue flared in 2004, they agreed to dampen its impact, as if it were some aberrant problem that did not reflect an actual national identity gap. In 1998 and again in 2008, new rapport between Japanese and South Korean leaders likewise promised to overcome bilateral strains. It focused on the future rather than the past, and on shared national interests best tackled together, such as economic and security problems. Even in the aftermath of tensions over the Yasukuni visits, Chinese and Japanese leaders vowed to refocus relations, as leaders pointed to cultural overlap rather than divisions.⁷ Yet, powerful political forces were unwilling to narrow national identity gaps, and deep domestic cleavages ensured that they would resurface with even greater force at a later time.

South Korea is sandwiched between two states, which, one after the other, became obsessed with the superiority of their way of organizing society against the background of deep misgivings about some lagging characteristics. Japan's spike in national identity occurred in the second half of the 1980s. Trailing by about twenty-five years, China's spike is still pronounced in 2012 after receiving a jolt upward during the Beijing Olympics in 2008. Chinese and Japanese arrogance is manifested in ideological leanings inimical to closer relations with South Korea, historical memories that clash sharply with those of Koreans, and interpretations of cultural, economic, and political identity that distance their states from South Korea rather than leading toward convergence.⁸ Above all, the identity spike in each country reflected rising confidence in the state's role in society at the expense of many other collective identities. This vertical dimension put trust with South Korea in jeopardy in unexpected ways. To appreciate the dynamics of bilateral relations it is essential to add South Korean national identity to the picture, treating both relationships.

Sociologists were among many observers who sought the key to Japan's unique identity in the 1970s through 1990s. Nakane Chie, S. N. Eisenstadt, and Seymour Martin Lipset are among this group.⁹ In the case of China's exceptionalism, Martin King Whyte, Thomas Gold, and Jonathan Unger, number among the sociologists who have searched for the crux of differences, and Ezra Vogel took an interest in both states.¹⁰ For South Korea, the numbers remain smaller, but the sociologist Gi-wook Shin has energetically been filling the vacuum.¹¹ In each of these cases, political scientists, anthropologists, and historians are also prominent in the long list of those writing about national identity from what may be regarded as a sociological perspective, but few have turned their attention to international relations. Shin is a rare exception in scrutinizing the South Korean-U.S. relationship as a reflection of identities.¹²

In East Asia popular writings are much enamored of the subject of mutual images and distrust. The Japanese-South Korean divide has aroused interest for decades.¹³ While there is no dearth of public opinion data mapping the evolution of perceptions and many have discussed the political context, systematic examination of national identities rarely occurs. The most common perspective is found in books by rightwing Japanese explaining South Koreans' thinking that damages relations.¹⁴ The Chinese-South Korean divide recently has also drawn attention.¹⁵ Newspapers again take the lead as scholarly articles cover the political background too. Identity is often mentioned, but without systematic assessment of how it operates, especially in light of the resurgence of this sharp post Cold War divide.

The field of national identity extends across disciplines. Social psychology draws attention to self-identity, contrasting group orientation and the salience of "face" in East Asia with individualism in the United States.¹⁶ Constructivist theory in the study of international relations stresses subjectivity, whereby perceptions shape policy choices, as when East Asians look through the lens of alleged victimization.¹⁷ Historical writings on memory reveal an identity component, which is recognized as playing an enduring role in East Asian countries steeped in historical legitimation.¹⁸ In sociology all of these perspectives are present,

complementing attentiveness to the way collective identities overlap or conflict. In the study of East Asian societies identities focused on the nation are often seen as so important that they are treated along side each of the various collective identities in the search for explanations.

In succession, social scientists have grasped for the essence of the multiple identities in Japan, South Korea, and China. In the 1980s they became obsessed with state-society relations: vertical society, paternalistic firms shaped by administrative guidance, loss of individualism to some sense of a homogeneous people together as a “new middle mass,” weakness of civil society due to acceptance of “Japan, Inc.,” and Japan-U.S. comparisons suggesting reasons for Japan’s high level of conformity but low deviance.¹⁹ *Nihonjinron* (the theory of Japaneseness) heralded uniqueness,²⁰ as writings on Japan’s modernization pointed to why convergence with the West has been relatively limited. In contradictory trends over the following two decades after self-confidence in uniqueness was shaken by Japan’s rapid economic and political descent while bluster about revisionism came more into the open with support from top LDP leaders, social scientists recognized the salience of national identity, cataloguing its diversity.²¹ In power, the DPJ reemphasized Asianism and, briefly, forthrightly challenged the U.S. alliance as the foundation of international identity without clarifying confusion over Japan’s identity, which continues today.²²

The debate over South Korean national identity has more narrowly centered on the predominance of Koreanness associated with ethnic homogeneity and also bloodlines, and the rise of a civic identity combining democratic and universal values.²³ Given significant adjustments in recent years, there has also been close attention shown to the effect of election results that bring strong-willed presidents to office,²⁴ two conservatives and two progressives over the past two decades. The impact of national identity on relations with Japan has long been appreciated and the power of anti-Americanism as a form of national identity came to the fore in the early 2000s,²⁵ but these themes have not been placed within a broad framework of national identity gaps and how they may be at the root of international tensions.

Lately Chinese national identity has attracted the most attention, because of both fascination with China’s development model (the “Beijing Consensus”) and uncertainty over its approach to international relations (“harmonious world”).²⁶ There has been much discussion of rising arrogance,²⁷ fed by both the Internet and government policies often interpreted in an extreme manner within China. Chinese views of Japan and the United States are often perceived as responses to particular issues rather than part of national identity construction, which involves multiple dimensions and is coordinated in its effect. The framework of national identity gaps can serve to assess how Chinese identity systematically impacts foreign relations.

By showcasing the vertical dimension of identity and cultural national identity, I seek to build on the research centered on sociological themes. Japanese, South Koreans, and Chinese face cleavages associated with one-sided macro-level identities with little room for intermediate level identities. Japanese and South

Koreans' withdrawal of support from their elected leaders reveals high levels of dissatisfaction not only with the way a particular leader governed, but with the structure of state-society relations. Discontent in China with the party-state's unresponsiveness to social needs has apparently been rising sharply. As reflected in internal identity, these problems reverberate in identity gaps of widening intensity, which can be traced back to ways of thinking from premodern times and to the transformation of the hierarchy of nations during the transition to modernity.

HISTORICAL BACKGROUND TO NATIONAL IDENTITY GAPS IN EAST ASIA

Wars between China and Japan and between either of these two countries and Korea were rare over the half millennium prior to the 1890s. Economic relations were of minor importance, especially in the final premodern centuries. Relations were perceived through a long-term cultural framework. China considered itself the center of civilization. Korea saw itself as the cultural link that had transferred from China and its own past the civilization on which Japan had evolved. By the eighteenth century when Koreans were questioning whether they had surpassed China as a Confucian civilization, Japanese were distancing themselves from China and Korea by emphasizing their indigenous cultural roots. Claims to superiority were being challenged, even as they were deeply felt in an environment where civilizational identity was primary. China took little regard of these trends, and the arrival of the West refocused discussions of civilizational superiority. Yet, as the shadow of the West receded, hierarchical assumptions within East Asia resurfaced.

Japan's thirty-five-year annexation of Korea and fourteen-year invasion of China cast doubt on the longstanding cultural hierarchy of East Asia. Its shift from tolerance of rising ethnic national identity (*minjok*) to cultural genocide against Koreans aroused a strong backlash of Korean cultural humiliation, fueling pride.²⁸ Later South Korean leaders reinforced this pride, as they vied for legitimacy in the face of clashing North Korean claims and failed support for democratic norms. Even after democratization, the weight of cultural identity and Koreanness well exceeded that of civic identity. In the case of China, Japan left a trail of resentment, which Chinese leaders tapped with some caution until the 1990s. For political reasons, they also hesitated until around 2005 to capitalize on cultural wounds opened by South Korea's alliance with the United States and superiority complex owing to its greater modernization and democratization. Yet, arousing a strong sense of cultural national identity, Chinese sources eventually demonized both Japan and South Korea in a sweeping manner.

For one thousand years until the mid-nineteenth century China considered Japan inconsequential, better than the barbarians due to sincere efforts to borrow Confucian culture but not fully civilized, given its samurai culture and peripheral status. In turn, the Japanese had recognized China as the center of civilization, but increasingly cast doubt on that as they began to search back in their own past for alternative roots and questioned whether China under the Manchus remained true to its own heritage. With the earlier modernization of Japan under the impact of the West, this assertive claim to now having surpassed China left

confusion as to Japan's rightful role in Asia. Grasping for an international identity even as it uncomfortably acknowledged being behind the Western powers, Japan sought an Asian identity as regional leader—although this role came with conflicting expectations. After winning the Sino-Japanese War in 1895 and the Russo-Japanese War in 1905, Japan's newly risen self-confidence came with growing resentment against purported denial of the fruits of its victories. In this unsettled mindset, many twisted their internationalist identity to stress an unfair and cutthroat global order in which U.S. idealism and later the League of Nations counted for little.²⁹ Simultaneously, Japanese debated the meaning of Asianism centered on their country's relations with China. Not able in the postwar era to reach any consensus on the nature of Sino-Japanese relations to 1945, Japanese were still struggling to define and combine internationalism and Asianism as factors in their own national identity during the post-Cold War era.³⁰

As long as Japanese perceived China to be trailing, the debate about how to deal with it continued to center on the virtues in teaching and assisting it and the benefits of representing it and asserting regional leadership. Yet, insistence in China on a national identity in opposition to Japan's self-image caused complications. After the May Fourth Movement responded to Japan's WWI demands for territorial and other concessions that impinged on sovereignty, anti-imperialist claims by the Chinese Communist Party in the struggle against Japan's aggression left a legacy of demonizing Japan, controlled for a time but exacerbated by the absence of a genuine apology even after normalization in 1972. With the Cold War putting limits on the global order and China deemed economically backward to the early 1990s, Japanese could be patient about their own uncertainty over Asianism and China's criticisms over history. A different situation arose from the mid-90s.³¹ How could Japan make clear its superiority over a rapidly rising China? Would it be able to clarify Asianism and internationalism (now linked to globalization) in ways that bolstered a national identity limiting China's challenge? Views of South Korea faced similar uncertainty.

Public opinion polls repeatedly show that Japan's image in China as well as in South Korea contrasts with its image in Southeast Asia and much of the rest of the world. Elsewhere it is seen largely through an economic prism as a great power that for decades has manufactured high-quality exports of desired consumer durables, while in China more than anywhere else it appears as a country unable to come to grips with its past transgressions or to emphasize improved relations with Asia.³² After particularly negative images in 2005, Japanese finally recognized some improvement in 2007 as cherry trees became a more widely noted symbol in Chinese polls while the Nanjing massacre and Yasukuni Shrine slipped somewhat; yet with the approaching seventieth anniversary of the massacre and many movies about to be released, commentators were not confident. Indeed, *Sankei shimbun* reported that China's aim was to portray Japan as not virtuous so it could achieve regional hegemony, while striving to weaken U.S.-Japan relations.³³

In 1992 Chinese discussions of Japan were preoccupied with the challenge of predicting Japan's rise as a great power. Before the turnabout of Japan's stagnation and China's rise became clear, the post Cold War, post Soviet Union collapse steered

China's leaders to promote assessments of Japan's chances of emerging as the leader of Asia and a more equal partner of the United States. On August 14 the Chinese Academy of Social Sciences' Japan Institute organized a roundtable on Japan's moves to become a great power. It concluded that the United States could not long maintain its spot as the lone superpower, the competition would intensify with the other two advanced capitalist poles of the European Union and Japan, and Japan would press to establish its own regional sphere. This means a competition in Asia to which China would have to respond. Participants concluded, however, that stability would prevail, economic growth and regional integration would stay on the upswing, and Japan's economic leadership would not be converted into political leadership due to its historical legacy. One reason given was that Russia still retained great potential influence, and Japan would have to improve ties with it in order to assert leadership. Another was that Japan would still need to rely on the United States, which has more overall power. Despite limits, it was argued that Japan would strive to assert its voice as a political and military power, while seeking a permanent seat on the Security Council. At the same time, it would foster ties with China in order to build a base in Asia as one of the three world centers of capitalism, while it was also gaining leadership in Southeast Asia. Yet, such ties would not stand in the way of aspirations for a military great power position and a rightward drift in political thought. In these circumstances, participants called for China to harden its thinking toward Japan and develop a strategy to counter it, making use of Japan-U.S. contradictions. China can develop good relations, owing to Japan's need for it, toughening, at the same time, resistance to Japan's great power aspirations, widening an identity gap.³⁴

Japanese revisionists capitalized on frustrations over Japan's sinking standing in the 1990s after the "bubble economy" collapsed, seeking pride in a more positive image of long-criticized historical conduct. Chinese hardliners redirected frustrations over the Communist Party's ignoble record, including the Tiananmen massacre, by reopening the wounds left from 1945. In this context, South Korean presidents who began their tenure with high hopes for improving relations with Japan found Korean public opinion leaning toward demonization of Japan and opposition parties poised to pounce on any weakness.

The nature of cultural and vertical national identity in South Korea is a factor in the wide identity gaps with two neighboring states. *Minjok* is extremely tenacious. It was the driving force in rising national identity in response to Japanese colonialism and, later, cultural genocide. There was no other outlet for the colonized Koreans. As democracy was suppressed by dictators, it filled the vacuum, benefiting when dictators sought to use it to bolster their authority and to counter claims to legitimacy by North Korea. In the post-Cold War era, democratically elected leaders also turned to "Koreanness" as grounds for increasing their popularity and a defense against rapid opening of the country to globalization. After progressives gained power, no less emphasis was placed on such appeals. The Sunshine policy raised reunification hopes that stimulated *minjok* identity and, when hopes were dashed, accompanied a rise in frustration that the South had been marginalized in dealing with a breakdown in the talks and the North's belligerence. Over a century of *minjok* and identity limitations in the post-Cold War era, one sees signs that failure to resolve what is perceived as

severe social injustice leaves people grasping for an authentic presentation of their collective will. Despite continued economic growth and measures of inequality not inferior to those in many developed states, South Korea faces symbols of injustice of great emotional impact, which shape the electoral environment.

Three themes stand out as sources of frustration about social injustice. First, there is perceived unfairness in social mobility centered on unequal access to English language training and education to bypass the bottleneck of entrance to the top-ranked universities, which are the gateway to the most preferred jobs in large corporations and government. Second, there is an unusually high level of corruption for an advanced, democratic state, which is associated with favoritism based on common background, including regionalism. Third, there is a strong sense of uneven modernization and globalization, as select firms rank in the top echelon of international competition, while most small and middle-sized firms are vulnerable to greater competition without protection from a welfare safety net.

Manifestations of these extreme forms of social injustice include desperate moves to gain an advantage in education, such as an extraordinary number of *kirogi* (wild geese), who have sacrificed family life to education abroad. Separated family members abound in this scramble to gain a mobility edge leading to Korean or foreign universities. Voting in near unison on the basis of regional identities inside South Korea is another unusual feature of an advanced, democratic state. This relates to concern that the person elected as president will favor one region, the southeast or the southwest. Also, charges of injustice are widespread in regard to manipulation of housing prices, relatives of presidents using influence in return for payments, and some industries favored at the expense of others.

The meaning of Koreanness may have become fuzzier recently, but that does not mean it no longer applies. At the top of the social ladder are Korean Koreans and Korean Americans. Next are Korean Japanese. At the bottom are Korean Chinese or non-Koreans married to rural Koreans or others who in desperation went outside to find a spouse. In the absence of multiculturalism, heterogeneity takes a back seat to homogeneity.

THE JAPANESE-SOUTH KOREAN NATIONAL IDENTITY GAP

Attention keeps fixating on South Korean grievances against Japan centered on the history of annexation, colonialism, and cultural genocide from 1910 to 1945. There is much more to the national identity gap than these memories. Japanese and South Koreans discriminated against residents deemed from the other country. Public opinion on both sides had a low opinion of the other side. Rising economic ties from the 1960s were not matched by either cultural or political ties. Each of the dimensions of national identity sheds light on this anomalous situation for two states that are culturally closer than others in East Asia and share the United States as an ally and a series of foreign policy views. In particular, the distinctive nature of the vertical dimension identity gap was exacerbated by Japan's spike and

South Korean democratization in the 1980s. Instead of the post-Cold War leading to a rapid narrowing of the gap, it fluctuated over two decades accompanied by an intermittently narrowing tendency. This has been interpreted in various ways, but a sociological perspective on national identity places the gap in a different framework.

The vertical dimension in Japan is a major source of the national identity gap with South Korea. In the 1980s the potential was greatest for economic integration of the two states to be accompanied by dense social networks and shared values that could draw them closer. Yet, Japanese notions of homogeneity, discrimination against the Korean minority identified with South Korea as well as those seen as tied to North Korea, and other factors of vertical identity stood in the way. Indeed, even as “internationalism” drew attention as one of the most popular slogans, the weakness of international NGOs in Japan and of substantive progress toward this goal proved unfavorable for openness to South Koreans. Disparaging views of U.S. diversity and “multiculturalism” in general also had this negative effect. Aspiring to leadership in East Asia converting economic power into soft power and trust, the Japanese failed to understand that even as South Koreans surreptitiously evaded control on cultural imports to enjoy anime, television dramas, and other Japanese products, clannishness in Japan diminished any appeal that their country might achieve. With democratization in South Korea came intensified pursuit of modern values—internationalism in a truer sense, a women’s movement, study abroad, etc., for which Japan seemed to be a backwater. Japan’s internal image lost its remaining allure.

Democratization transformed South Korea’s vertical dimension in a manner not favorable to narrowing the gap with Japan. After all, the normalization of 1965 as well as subsequent breakthroughs to improve political ties had been viewed as the dictatorship’s moves against the will of the people. The rising clout of social movements and NGOs gave those suspicious of Japan a greater say in the political arena. Presidents on the right and the left pulled back from early initiatives to improve relations with Japan linked to national interests. Roh Moo-hyun’s frontal assault on the South Korean political order, symbolized by efforts to expose those who had collaborated with the Japanese occupiers, made a direct link between lingering injustice and improper handling of history with new implications for views of Japan. Conservatives rejected this, but even as they emphasized common national interests, claims to have shared values with Japan fell on deaf ears.

Behind Japan’s failure to close the gap was a social system steeped in *uchi-soto* and groupism rather than broad principles. Anti-communism was counterbalanced on the right by revisionism, neutralizing the affinity that could have gone to the one neighbor that might have partnered with Japan against communist threats. The quest for Asianism that many in Japan sought for half a century after it regained its independence naturally should have started with South Korea, but even normalization of diplomatic relations was delayed to 1965 and not followed even when Japan was most intent on regionalism in the 1990s. If Japan had really seen itself as part of the West, as it long claimed, or concentrated on shared values with the United States in striving to build an international community, then South Korea would have been viewed differently.

One part of the problem in Japanese-South Korean relations is the weakness of networks linking the two. As South Korea modernized rapidly, Japan's large corporations played a major role, but their inward-looking, paternalist environment was not conducive to network building. Similarly, South Korean *chaebol* were focused on state support at home not on networking abroad. University communities also have been inward-looking. South Korean universities were slow even to permit Japanese-language courses or majors centered on Japan. Japanese universities and think tanks did not prioritize Korean studies. Cultural elites have tended to favor progressive causes, compounded by Japanese scorn for a dictatorship until the late 1980s and South Korean restrictions on Japanese cultural imports until the 1998 opening in stages. The internationalization of culture and academia in the West is a sharp contrast with the realities in both of these protectionist countries.

The KORUS FTA and the TPP both challenge the vertical dimension of national identity. They are perceived as the latest manifestation of U.S.-led efforts since at least the 1980s to undermine the uniqueness of a system understood as a means to maintain a distinctive civilization. In both Japan and South Korea a linkage was made between the political national identity, economic national identity, and cultural national identity. The state's role in the economy was construed as vital to protecting the nation's culture. As the occupying power in 1945 in both Japan and South Korea, the United States brought an emphasis on democratic values, free markets, and cultural openness to the West. All of these objectives posed challenges to vested interests and established ways of thinking, and even two-thirds of a century later there continues to be a national identity backlash.

Japanese traditionally view villages and enterprises as communities (*kyodotai*, paternalism, etc.). U.S. efforts to break down barriers to outsiders, who are in pursuit of universal principles rather than hierarchical communities, appear threatening. Trade talks, financial globalization, and now the TPP are seen by many as mechanisms to undermine what makes Japan unique. In fact, vested interests on the government dole manipulate symbols of Japan's exceptionalism to protect their benefits. Yet, the state bureaucracies and the political system have been skewed to serve these interests. The result is tunnel vision, symbolic distractions, educational myopia without grounding in principles, and even paranoia toward the outside world. In-bred careerism within strong hierarchical organizations leaves many hesitant to show creativity, feeling powerless or apathetic.

One key to the wide Japanese-South Korean identity gap is the powerful hold of a narrow version of cultural national identity in each state. *Minjok* emerged in opposition to Japan, focused attention on Koreanness for which Japan's treatment of Zainichi Koreans was long the main transgression, and stood in the way of a civic identity open to shared values. Similarly, *Nihonjinron* treated the Zainichi as the main threat to purity in Japan, and it interfered with civic identity. Cultural opening from 1998 did not mean openness.

THE CHINESE-SOUTH KOREAN NATIONAL IDENTITY GAP

China and South Korea achieved the appearance of a minimal identity gap in the 1990s. China gave no hint that North Korea continued to be of identity significance. Ties to South Korea, beginning with normalization, seemed to be rooted in a rejection of any appeal to national identity, as South Korea's *nordpolitik* abandoned anti-communism and China's friendly neighborly relations abandoned communist ideology. History drew these countries together, each castigating Japan for its historical memories as they even joined in presenting their shared outlook in 1995. As late as 2003, they were both eager backers of regionalism, cooperating in the context of ASEAN+3. As Roh Moo-hyun took office distancing himself from the United States and Hu Jintao assumed China's presidency in an atmosphere of intensifying pursuit of regionalism, it appeared likely that the identity gap would further narrow. Unexpectedly, the gap widened abruptly over the next years.

A South Korean writer in a Chinese journal in 2010 drew lessons from bilateral relations since normalization, including from the current conflicts between the public in the two countries that have aroused anti-Chinese and anti-South Korean emotions. On the Chinese side, the writer notes that older persons think of North Korea (*Chaoxian*) when they are asked about South Korea (*Hanguo*), while younger persons are influenced by the "Korean wave" (*Hanryu*). Positive impressions of this cultural influx reportedly mix with images of South Koreans as patriotic and extremely devoted to traditional culture. Saying that Chinese of late have expressed old hegemonic illusions, the author argues that some responsibility is on their shoulders. Yet, the bulk of attention centers on the reasons for anti-Chinese feelings among South Koreans: a national superiority complex born through rapid economic growth; insufficient knowledge of China, assuming that its backwardness endures and warrants an arrogant attitude; and an effort to boost national pride displacing China's centrality in the history of East Asian culture and politics. Insisting that one side alone cannot resolve these cultural tensions, the author appeals to politicians, academics, and the public at large to strive to overcome them. Yet, this message, however bold in the context of Chinese censorship, falls short of explaining the national identity contexts.³⁵

Much is written in China on extreme nationalism in South Korea and the resulting superiority complex. This is seen as having deep historical reasons and as increasingly threatening Sino-South Korean relations. It is especially manifest in views of history.³⁶ Yet, China's recent glorification of premodern Sinocentrism is the driving force there.³⁷

Chinese sources do little to conceal that a major part of the problem of distrust is Lee Myung-bak's foreign policy. Strengthening U.S. relations, developing a "mature" relationship with Japan, and arousing dissatisfaction in North Korea, Lee is abandoning close cooperation with China in favor of a subordinate role with the United States. Prior to assuming the presidency, Lee openly charged that China is distorting history and supported the renaming of Seoul in characters from "*Hancheng*" to "*Shouer*," earning him a record of arousing Chinese nationalist

emotions. Having drawn these conclusions, one article advises that both sides should respect each other's concerns with a sincere attitude cognizant of the big picture and long-term strategy for relations in the region.³⁸

Another Chinese source warns that South Korean thinking is not strategic. Mixing Roh Moo-hyun's overreaching in trying to make his country the "balancer," as if this was the same as striving to give it leading regional influence, and Lee's erroneous policies toward the United States and North Korea, it stresses the limits of South Korean power in a sensitive region where competition is increasingly intensifying.³⁹ Moreover, it warns of the delusion of a new age in Japanese-South Korean relations given the grassroots split over history and territory. This is the real national identity issue that Lee is forgetting as he ignores the importance of Sino-South Korean relations for unification of the peninsula.

Chinese sources assume a stark dichotomy between reconciliation with North Korea that allows it to exist while dropping pressure on it and Cold War, anti-communist mentality aimed at regime change. Nothing that North Korea says or does is considered in this stark choice, which Lee Myung-bak is failing. By not accepting China's strategy for resuming the Six-Party Talks, Lee is proving fidelity to "universal values" with ramifications also for his outlook on China. North Korea is a surrogate for China's vertical dimension of national identity, and refusal to succumb to its aggression means disrespect to China.⁴⁰ This is not spelled out in so many words, but it is the essence of numerous arguments.

A key to the Sino-South Korean gap is the assertiveness about culture in China since 2008. In June 2010 Li Changchun called for unifying the cultural heritage, and in October 2011 the plenary session of the Communist Party Central Committee pressed for a new plan on cultural security. This focus on cultural conflict sets the background for a narrower approach to South Korea, whose distinct culture is questioned most seriously. To the extent that the unity of ethnic groups, patriotism, and the threat of universal values are foremost in Chinese thinking about culture, gaps are prone to widen with other states.

PUBLIC OPINION AND NATIONAL IDENTITY GAPS

A joint survey of China, Japan, and South Korea in October 2011 provides timely information on mutual images with comparisons to survey results from a year earlier. The most striking finding for the Japanese-South Korean relationship is that twice as many in Korea (64%) consider relations to be bad and nearly four times as many (77%) say that they do not trust Japan. Optimism does not prevail, but neither does pessimism: 35% of Japanese and 30% of Koreans expect relations to improve, while 5% of Japanese and 14% of Koreans see them getting worse. Historical memory and the territorial dispute are foremost in Korean minds. Interest in a bilateral trade agreement is far less in Korea than in Japan. Interest in the other country's culture is far lower in Korea than in Japan. These differences suggest a narrower, more intense national identity focus on the Korean side without any appreciable narrowing of the gap that has existed with Japan.

Sino-South Korea relations are considered good by 51% of Chinese and 55% of South Koreans. Whereas 54% of Chinese indicate that they can trust the South as many as 77% of South Koreans answered that they cannot trust China. This figure is as high as the figure for not trusting Japan.⁴¹ Given levels of distrust of China equal to those of Japanese and levels of liking the United States higher than in Japan, it may not come as a surprise that Koreans even more than Japanese think that South-Korean-Japanese defense cooperation should be strengthened.⁴² This anomaly is one sign that the identity gap can be reduced further if efforts are made to downplay the main symbols of bilateral distrust.

A pair of Chinese books delves further into the mutual images of South Koreans and Chinese. Drawing on original survey research, they find strong awareness of narrow nationalist emotions on the other side. Especially in the book on Korean perceptions, they find that rival interpretations of culture are at the core of deep mistrust.⁴³ International relations matter, but cultural divisions with history in the forefront and symbols redolent with historical meaning often lay the groundwork for suspicions that spill over.

CONCLUSION

What drives national identity gaps? One explanation is that democratization and universal values draw some countries closer and open gaps with others. Yet, South Korea did not narrow its gap with Japan as a result of democratization in the second half of the 1980s nor did China's June 1989 brutal repression of those demanding universal values slow South Korea's pursuit of normalization. A second explanation is that modernization and economic integration narrow national identity gaps. As South Korea's "economic miracle" reached its peak in the 1980s, the gap with highly modernized Japan, which was the principal economic partner in the region, should have narrowed. Similarly, as China's "economic miracle" accelerated in the 1990s and 2000s with ever closer ties to Japan and South Korea, the gaps should have narrowed, but they did not. A related explanation is that acceptance of a shared goal for establishing regionalism, such as occurred with joint membership in ASEAN+3 and a decade later with the formation of the trilateral forum of these three countries, should have propelled identity gap narrowing. On the contrary, national identity gaps in 2012 are much wider than they were in recent decades with the exception of the Japan-South Korea gap, which keeps fluctuating with no breakthrough.

On both the left and the right there is nervousness about succumbing to U.S. aims at convergence, losing not only balance that would come with an East Asian community but also critical pillars that hold up their own national community. They have mostly lost confidence in their own political national identity, disturbed by paralysis in Japan and by one president after another losing popularity in South Korea. Youth are alienated. People are insecure. The solution is sought in rediscovering some national essence that has been lost, by finding some fusion of politics and culture that centers on state identity.

The Sino-Japanese gap is the most prominent national identity gap in East Asia. It has a prominent historical component, but it spreads across all dimensions. On vertical or cultural identity, this gap is much greater than those between Japan and South Korea and even China and South Korea. Moments of political reconciliation since the 1990s have failed to stop this gap from widening, and there is little reason to expect narrowing ahead.

With both the Sino-U.S. gap and Sino-Japanese gaps widening, South Korea faces the challenge of clarifying its own national identity and how that relates to China. Much will depend on North Korea and Sino-North Korean relations. The impact of economic integration with China, well beyond the levels for Japan and the United States, will be a factor. Yet, as China tightens control over “cultural entertainment” that popularized the “Korean wave” and reinforces the authoritarian nature of its system, South Korean public opinion is likely to continue the pattern of recent years in perceiving a wider identity gap.

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43. Wang Xiaoling, *Zhongguoren xinmuzhong de Hanguo xingxiang* (Beijing: Minzu chubanshe, 2009); Dong Xiangrong, Wang Xiaoling, and Li Yongchung, *Hanguoren xinmuzhong de Zhongguo xingxiang* (Beijing: Shehuikexue wenxian chubanshe, 2011).

**Diverging Trajectories of Trust
in Northeast Asia:
South Korea's Security Relations
with Japan and China**

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Most studies of contemporary Northeast Asian security focus on the U.S. interaction with China, Japan or South Korea and are concerned with aspects of national power.¹ The present chapter takes a more intra-regional and sociological approach, examining trends in mutual trust within Beijing and Tokyo's security relations with Seoul.² Focusing on ROK-China and ROK-Japan relations has advantages in addition to covering new ground.³ These relationships present interesting points of comparison as they address similar security environments in different ways.

In the universe of bilateral relations, Seoul-Beijing and Seoul-Tokyo ties could be understood as middling cases for mutual trust (in contrast to the high trust relations of the U.S.-ROK and U.S.-Japan alliances, the low level of mutual trust between Japan and China, and the near zero trust that South Korea and the United States have with North Korea).⁴ However, while mutual trust in ROK-China and ROK-Japan relations might be categorized as "moderate," the willingness of these governments to rely on each other on matters of national security exhibits different trajectories in recent years. Trust between Seoul and Beijing has decreased, whereas some increase in mutual trust is apparent between Seoul and Tokyo. That variation is somewhat puzzling given the widely observed post-Cold War trends of closer ROK-China relations and often strained ROK-Japan relations.⁵

The space of a chapter is not sufficient for tracing year-on-year variation in mutual trust in two bilateral relationships since the end of the Cold War. The present goal is to account for different levels of trust in ROK-China and ROK-Japan relations in 2006 and 2010. Without time to watch the entire movie of bilateral relations, these two snapshots are examined as crisis points during which levels of trust were tested and, hence, readily observable. The 2010 Cheonan and Yeonpyeong incidents shone a spotlight on the extent to which policymakers believe other governments can be counted on for security cooperation. A diplomatic crisis in 2005-2006 also tested governments' willingness to work together on security matters. However, unlike the 2010 military action, the mid-decade crisis involved historical controversies such as that surrounding Yasukuni Shrine.⁶

Conflicting nationalisms, wrapped up with contested history and territory, are often discussed in relation to distrust in Northeast Asia.⁷ Analyses of military cooperation and conflict tend to identify trust as important (and a lack of trust as problematic), but do not operationalize or measure trust and explain its variation. Meanwhile, there is growing interest in ideational approaches for understanding the international relations of East Asia, calling for more cross-national studies and systematic analysis of competing causal factors. Two new volumes cover identity issues in unprecedented depth from various regional perspectives.⁸ Korean scholars, long focused on historical and territorial disputes,⁹ are investigating other factors of distrust, including racial prejudice.¹⁰ Public opinion research in Northeast Asia is becoming increasingly sophisticated with the availability of more reliable cross-national and cross-temporal polls.¹¹

The present chapter, concerned as it is with the mutual trust between governments, focuses on the perceptions of foreign policy elites (rather than media images or public opinion). Explaining the level of trust within ROK-China and ROK-Japan

security relations in 2010 should be a difficult test for an identity explanation since the historical controversies so prevalent in 2005 were largely overtaken by hard security issues such as China's rapid military rise, North Korea's 2006 and 2009 nuclear tests, in addition to missile tests, and finally the Cheonan and Yeonpyeong incidents of 2010. What is more, the 2000s witnessed impressive military modernization by China and expansion in East Asian trade, allowing for variation in three different competing explanations based on power balance, economic interdependence, and public opinion related to historical antagonisms.

This chapter proceeds as follows. First, changing levels of mutual trust in ROK-China and ROK-Japan relations are assessed, in particular by interrogating the military doctrines of the three countries in 2006 and 2010. Then, competing explanations drawn from international relations theory are tested and shown inadequate for explaining variations in ROK-China and ROK-Japan mutual trust. Next, a new explanation for changes in mutual trust is presented, considering the sociology of inter-state comparisons: in particular, how elite perceptions of the other country's national identity change over time. Identity perceptions are made up of beliefs about national values (how good are the other country's internal governance, economic development, and social norms?) and international roles (how positive are the other country's contributions to external peace, prosperity, and stability?). By understanding how perceptions of identity difference change over time, it is possible to explain variation in how governments are willing to depend on each other for national security. The chapter concludes with implications for foreign policy and regional security, and suggestions for future research.

CHANGING LEVELS OF MUTUAL TRUST

Explaining variation in the level of trust between national governments is of interest because trust is a determining factor for meaningful and sustained security cooperation.¹² On the one hand, trust lowers transaction costs and helps actors manage risk by obviating the need for costly enforcement mechanisms. Trust may also serve as a shock absorber, providing stability for a relationship and making it more robust for weathering crises.¹³ With trust, two governments may be able to encapsulate and deal with a problem without it derailing other aspects of the relationship.

On the other hand, a lack of trust involves seeing the behavior of the other according to worst-case assumptions, leading to unrealized cooperation, and worse, to security dilemma dynamics, hedging behavior and arms races. With low trust, problems of miscommunication and miscalculation are more frequent and serious, making precipitation and escalation of a crisis more likely. Trust may thus tip the balance between war and peace, isolation vs. engagement, or regional division vs. integration. Distrust among powers in Asia is arguably the main obstacle to building a regional security architecture, and this lack of mutual confidence appears to be wrapped up with issues of national identity.¹⁴

Trust can be approached in many ways depending on the research question at hand.¹⁵ For the purposes of this research on bilateral security relations, mutual trust is operationalized as the shared willingness of two states to assume the risks of reliance on matters of national security, based on expectations that both sides will fulfill their obligations. Data on willingness for security reliance draws primarily on official doctrine regarding the provision of military capabilities and defense mechanisms and its application in various contingencies.

Data on expectations about the bilateral security relationship can be drawn from policymaker assessments concerning whether security commitments will be met and the probability of military conflict. To accurately trace variation in mutual trust over time, one would code the entire range of willingness and expectations indicators and perform content analysis on all available treaties and amendments, bilateral agreements, joint statements, minutes from security consultation meetings, government reports, national security strategies, budgetary allocations, internal government memos, policy reviews, intelligence assessments, and policymaker pronouncements. It would also be helpful to review developments for cooperation and conflict in bilateral security relations.¹⁶

In the interest of space, this chapter assesses change in mutual trust by comparing the defense white papers of each country in 2006 and 2010. Defense white papers should be a reliable source of policymakers' willingness and expectations to rely on other governments on matters of national security for several reasons. First, they are fairly comprehensive about a nation's security environment, what military capabilities a nation maintains and plans to develop and for what contingencies, and how a nation assesses the capability and intentions of other states. Second, they are not the product solely of a nation's defense establishment. Whereas some documents may only represent a particular view within part of the government (the administration, the legislature, the diplomatic bureaucracy, the military or intelligence services), defense white papers tend to be circulated for approval by the various departments that deal with national security and foreign policy. Finally, defense white papers tend to be regularly updated, and hence should be responsive to developments in bilateral relations.

MUTUAL TRUST BETWEEN SOUTH KOREA AND CHINA

The leaderships in Seoul and Beijing continuously stress the importance of their bilateral cooperation in diplomatic meetings.¹⁷ However, some decrease is observable in the level of willing reliance and shared expectations for the security relationship by comparing the defense white papers of 2006 and 2010. There is a certain asymmetry when viewing the white papers of the ROK and PRC side-by-side, as the South Korean documents devote more space to China than the Chinese documents devote to Korea. This is not a measurement problem for trust, however, because the present exercise is not about contrasting the Korean and Chinese documents. At issue is change in mutual trust, so the task at hand involves comparing the documents of both sides in 2006 and 2010.

The 2006 Chinese defense white paper reports that, "China has set up bilateral consultation mechanisms on the law of the sea with the Republic of Korea."¹⁸ It, thus,

expresses willingness to work with Seoul on maritime security and safety. Toward this end, the document cites mutual naval visits, and shares the expectation that Beijing and Seoul will expand cooperation on non-traditional security issues, including via police exchanges focused on combating transnational crime.

Meanwhile, the ROK defense white paper notes China's impressive economic growth and more active diplomacy. It devotes an entire section to profiling China's military and reviewing ROK-China relations, while also expressing concern about possible U.S.-China strategic competition. However, the document stresses that South Korea's military relations with China are "steadily developing" and are very important for resolving the North Korean nuclear issue and for stability and peace in Northeast Asia.¹⁹ Beyond expecting continued defense-related communication between Seoul and Beijing, the South Korean white paper outlines willingness for regular and institutionalized exchanges, working and high-level defense meetings, and mutual visits of navy vessels and aircraft with China.

In sum, the mutual willingness and shared expectations of the South Korean and Chinese governments to rely on each other on matters of national security were at a moderate level in 2006. Moderate levels of mutual trust are characterized by defense exchanges and information sharing as well as reassurances that the relationship will be peaceful, with expectations for expanded cooperation in the future.

The mutual trust picture looked quite different for Seoul and Beijing in 2010. The 2010 Chinese defense white paper mentioned signing a new "Frontier Defense Cooperation Agreement" with North Korea, but did not feature defense exchanges with the ROK. In Chapter 10 on "Arms Control and Disarmament," it does not stress cooperation with Seoul but instead expresses willingness to serve as an honest broker between North and South Korea, such that China responsibly stands on the side of peace and stability:

China advocates resolving the nuclear issue in the Korean Peninsula peacefully through dialogues and consultations, endeavoring to balance common concerns through holding six-party talks in order to realize the denuclearization on the Korean Peninsula and maintain peace stability of the Korean Peninsula and Northeast Asia. China, always considering the whole situation in the long run, painstakingly urges related countries to have more contacts and dialogues in order to create conditions for resuming six-party talks as early as possible.²⁰

This language does not show any willingness for a security partnership with South Korea. And while the South Korean defense white paper of 2010 touts defense exchanges as part of a ROK-China "strategic cooperative partnership," it devotes much more attention to modernization of the People's Liberation Army (PLA) and Beijing's support of North Korea.²¹ The level of mutual trust may not have declined to a low level (which would entail little to no willingness for any security cooperation, even defense exchanges). However, comparing the two sets of defense white papers, the evidence suggests that the trajectory of mutual trust between Seoul and Beijing was negative between 2006 and 2010.

MUTUAL TRUST BETWEEN SOUTH KOREA AND JAPAN

In contrast, the level of mutual trust between Seoul and Tokyo, assessed via the defense white papers of 2006 and 2010, showed improvement. Interestingly, the level of mutual trust in ROK-Japan relations appears to have crossed that of ROK-China relations as Seoul's mutual trust with Tokyo was less than that with Beijing in 2006, with the situation reversed by 2010. It must be said, however, that ROK-Japan relations were improving from a low baseline, given bilateral strains at mid-decade.²²

The Japanese defense white paper of 2006 focuses on North Korea's nuclear and missile threats to Japan, and on U.S.-ROK cooperation, with virtually no mention of Japan-ROK cooperation, except for several allusions to "frank talks" and a sentence stating that it is important for Japan and the ROK "to establish a basis for cooperation and to coordinate more effectively."²³ As is pro forma for Japanese defense white papers, the report mentions a territorial dispute with South Korea (asserting that "Takehima is an integral part of Japanese territory") and notes official protests by each side over the other's oceanographic surveys in waters claimed as an Exclusive Economic Zone (EEZ).

For its part, the ROK defense white paper of 2006 speculated that developments in Japan's defense posture and active strengthening of the U.S.-Japan alliance may elicit a competitive response from China and Russia. The document stated that Japan's positions on historical issues, territory, and EEZs are "detrimental to the improvement of peace in Northeast Asia." That is fairly strong language indicative of trust problems, but the level of mutual trust could still be described as on the low end of moderate, as the Korean document stresses that Japan and South Korea are important neighbors between whom bilateral defense exchanges should be increased.²⁴

By 2010, the trust indicators of willingness and expectations for the ROK-Japan bilateral security relationship appear noticeably improved. The 2010 Japanese defense white paper shows detailed concern for South Korea's national security and states that South Korea is one of the countries that has maintained "the closest relations with Japan in economic, cultural and other areas" and that South Korea is "extremely vital to Japan from a geopolitical perspective."²⁵ It goes on to say that Japan and the ROK share "fundamental values such as democracy, the rule of law, respect for human rights, and capitalist economies" and "share many strategic interests as allies of the United States."²⁶ The report claims that the two countries "collaborate closely" on security issues, have successes in promoting "mutual understanding and trust," and are expanding defense exchanges and areas of functional cooperation including maritime security. There is then an entire section devoted to Japan's efforts to support the ROK after the sinking of the Cheonan.²⁷

Impressively, the 2010 South Korean defense white paper indirectly refers to Japan as a military ally: "Solidifying security ties with major Asia-Pacific alliances, the ROK, Japan, Australia, and the United States have been trying to establish a more effective multilateral security system within the region based on alliances."²⁸ The report goes on to devote an entire section to "Exchange and Cooperation with Japan" focused on working together to "resolve the North Korean nuclear issue

and to ensure regional security and peace.”²⁹ The document explicitly mentions ROK-Japan-U.S. trilateral cooperation, Korea-Japan maritime search and rescue exercises, and even expanding combined training of military forces.

The level of mutual trust between Seoul and Tokyo would still be coded as “moderate” (certainly not yet at the level of full-fledged military allies), but a positive trajectory for trust is apparent in comparisons of the 2006 and 2010 defense documents. Mutual trust can only be as high as the least common denominator of a dyad’s willingness and expectation for security cooperation, and it is worth noting that South Koreans demonstrated slightly less willingness than Japanese. Japanese strategists, who used to be resistant to a role for the U.S.-Japan alliance and Japanese security policy beyond Japan, are now speaking of providing “public goods” relevant to regional security in cooperation with South Korea.³⁰ The next generation of strategic thinkers in Japan even write about Japan-ROK contingency planning for securing North Korean nuclear weapons.³¹ While there is increasing realization among policymakers in both Tokyo and Seoul that Japan and South Korea’s futures are intertwined,³² Japanese recognition of South Korea’s security role and willingness to engage in defense reliance with Seoul appears slightly greater than that in Seoul. Hence, the level of mutual trust, while improved relative to 2006, is still not as high as it could be.

COMPETING EXPLANATIONS FOR MUTUAL TRUST AND SECURITY RELATIONS

How can we explain these different trajectories for mutual trust between 2006 and 2010—decreasing in ROK-China relations and increasing in ROK-Japan relations? This section considers three competing explanations drawn from international relations theory. As existing explanations are unable to account for the above variation, a new explanation based on perceptions of identity is elaborated in the subsequent section. That explanation suggests that when power balance, economic interdependence, and public opinion over historical antagonisms affect mutual trust, they do so via perceptions of identity.

A balance of power explanation would expect that – given three states A, B and C – if the power of C is significantly increasing, states A and B will feel threatened and trust C less and less. The rise of State C will drive states A and B together, helping trust to increase between A and B. Over the past two decades, China’s material power has been growing substantially relative to that of Japan and South Korea.³³ A power balance explanation would thus predict that Seoul and Beijing should have decreasing mutual confidence and Seoul and Tokyo should have more, as South Korea and Japan cooperate to balance China.³⁴

Defense white papers in 2006 and 2010 indicate such trajectories for trust. No doubt changes in material capabilities matter, but the problem for a balance of power explanation is timing. China has been rising for some time, so why did ROK-China trust not go down and ROK-Japan trust not increase earlier, and why do we not observe active balancing behavior as realists would expect?³⁵ One realist

defense is that South Korea and Japan do not collectively balance China because each has the United States as an ally. But this is not a convincing explanation because Washington actively encourages trust and cooperation between South Korea and Japan, and leaders in both states remain concerned about the capacity and commitment of the United States in Asia.³⁶ Another realist defense is the infamous “time lag” explanation, but if a balance of power explanation cannot predict (e.g. it has to wait forever to be proven correct) the timing of change, then it is not the most useful explanation.

Another explanation predicts that if the relative economic interdependence of states B and C is going up while that between A and B is going down, then mutual trust between B and C should increase as that of A and B decreases. Related to China’s economic rise, ROK-China economic interdependence has been increasing, but ROK-Japan interdependence, while still high, is becoming relatively less so.³⁷ An interdependence explanation would, thus, predict that ROK-China trust should be going up and ROK-Japan trust going down. However, the trajectories in mutual trust observed above are in fact the opposite.

Interdependence theorists might offer their own “time lag” defense by arguing there is a disconnect between economic and political actors, i.e., politicians may get caught up with issues of ideology or diplomacy, but eventually their thinking will conform to those of domestic political interest groups good at making money. The problem with this argument is that it is possible to make money (hot economics) despite low trust between governments (cold politics).³⁸ Meanwhile, there is no guarantee that political leaders will take their cues from the business lobby. Trade relations are in many ways substitutable, whereas hard security issues often cannot be pushed aside by profit potential. Interdependence theorists might counter that with greater interaction, there are bound to be some trade and social frictions, and geopolitical crises may occasionally present overpowering shocks. Observations of trends in mutual trust support such contentions, but then we are left wanting a theory that incorporates such frictions and shocks that an interdependence explanation considers exogenous.

A third explanation attributes the lack of trust between states to negative public opinion associated with incomplete historical reconciliation. Historical memories are very powerful in the popular consciousness as they are derived from past wars and different development paths that people use to understand the varying fortunes of states in the international system. If two countries, B and C, have similar historical grievances against country A, historical flare-ups can be expected to lower the level of trust with A, and possibly result in solidarity between B and C. South Korea and China both hold historical grievances against Japan, and public opinion polls regularly show negative opinions of Japan in both countries.³⁹

A public opinion explanation would, thus, predict increasing ROK-China trust and decreasing trust between South Korea and Japan. Yet, despite historical flare-ups over the wartime sexually exploited “comfort women,” Yasukuni Shrine, and history textbooks with conflicting territorial claims, the level of trust between

Seoul and Tokyo was observed to improve between 2006 and 2010. This is not to say that historical antagonisms do not matter – they almost certainly do – but the trust exhibited by governments in bilateral security relations may not closely track public opinion. Public opinion can, of course, affect elite perceptions, but policymakers are just as likely to use historical issues for instrumental purposes or otherwise attempt to shape public opinion.

The transmission belt for effects on and from public opinion tends to be the media. Media coverage can be important in influencing the identity perceptions discussed below, but identity perceptions are “sticky” or less volatile than the headlines. As far as using the intensity of historical antagonisms to explain variation in mutual trust, the level of trust between governments appears not to be driven by public opinion. I argue below that policymakers’ assessments about another country’s reliability on matters of security depend on deeply-held beliefs about the other’s national identity, specifically concerning national values and international roles.

PERCEPTIONS OF IDENTITY EXPLAIN TRAJECTORIES OF TRUST

Trends in power, economic interdependence, and public opinion are all relevant to mutual trust, but none of these variables offers sufficient explanation for the different trajectories of trust in ROK-China and ROK-Japan relations. To the extent that these factors affect the level of mutual trust, their causal force is mediated through changes in elite perceptions of national identity, according to the explanation below. In other words, change in identity perceptions is a necessary and sufficient condition for change in mutual trust. The greater difference elites perceive between two countries’ national identities, the less trust; while the less difference elites perceive between the two national identities, the more trust relevant for security cooperation we expect to observe.

This section asks in what ways the decision-making elite in one state differentiates the national identity of another state in areas germane to foreign policy. Policymakers in States A and B compare national identities in terms of international roles and national values and perceive identity difference as a result. This perceived identity difference is the distance between how policymakers see the international role and national values of their country versus those of another. It exists because of a sociological process in which policy elites engage, where in-group/out-group comparisons are made for purposes of in-group pride, positive distinctiveness, legitimacy, and sense of self-purpose in an uncertain international environment.⁴⁰

How elites in each country see the national identity of relevant other states is wrapped up with views of the other country’s international role.⁴¹ The other major dimension considered in perceived identity difference involves what elites in one nation think about the domestic political values of the other country (concerning human rights, type of governance/institutions, cultural sophistication, etc.). Perceived identity difference is measured by identifying the main differences raised by national leaders and policymakers in their domestic debates about the

other country.⁴² Observations of policymakers drawing contrasts between the international roles and national values of their country and those of the other are drawn from: public statements to domestic audiences, including opinions expressed in op-eds, press briefings and media interviews (in English, Japanese, Chinese and Korean), and private statements by policymakers in interviews with the author or revealed indirectly and corroborated by multiple interviews.

PERCEIVED IDENTITY DIFFERENCE BETWEEN SOUTH KOREA AND CHINA⁴³

Perceptions of identity difference by policy elites in Seoul and Beijing were not negligible in 2006. On the one hand, the perceived gap between the international roles and national values of the two were greater than the low perceptions of difference between the United States and Britain or even between the United States and Japan. On the other hand, ROK-China mutual perceptions were clearly better (closer) than the high perceptions of difference between the United States and North Korea or the United States and Pakistan. On a relative scale, perceived identity difference between Seoul and Beijing was within a moderate range and had benefited from a rapidly expanding relationship since their normalization in 1992.

Interviews with Chinese policymakers in 2006 about how their perceptions of South Korea had evolved since normalization revealed two prominent themes. Regarding South Korea's international role, Seoul was no longer seen as a pawn of the United States, but was increasingly respected as a pragmatic international actor in its own right. Regarding national values, South Korea was seen as a success story for its "Asian values." Confucian hierarchy, emphasis on education, and strong meritocratic leadership were seen by Chinese to have achieved rapid economic development in South Korea.

Views of South Korean elites about China were also moderately positive in 2006, especially compared to Cold War perceptions, when South Korean elites perceived China's international role as negative (an enemy during the Korean War, prolonging division of the peninsula). South Korean perceptions of Chinese national values were also negative, as anti-communism was itself an ideology in Seoul. In the early 2000s, however, those views gave way to at least moderately positive identity perceptions. Perceptions of China's international role became dominated by South Korean hopes that Beijing would be constructive in Seoul's efforts to engage, transform, and, ultimately, reunify with North Korea. Also, Chinese national values were no longer broadly derided as communist, backward, or underdeveloped. Instead, China's rich historical traditions were increasingly recognized by South Korean policymakers. While ROK-China reconciliation remained incomplete, Seoul's historical tensions with Beijing were considered to be of lower intensity than those with Tokyo.⁴⁴ There was even broad recognition among Korean elites that living with Chinese nationalism is somewhat inevitable as Beijing faces challenges unifying such a large and diverse polity.⁴⁵

Perceived identity difference was thus on the low end of moderate, in terms of how policymakers in Seoul and Beijing saw each other's national values and international

roles. The positive gains for identity perceptions drove increasing mutual trust after the end of the Cold War. But ROK-China perceptions of identity difference widened, comparing views on international roles and national values in 2010 to those of 2006.⁴⁶

In 2010, author interviews with Chinese policymakers revealed what might be described as annoyance with South Korea's international role. It was seen as demanding disproportionate recognition from and showing inadequate deference to its much larger neighbor. Analysts considered the peninsula potentially volatile – and not just because of Pyongyang – such that the situation must be controlled and stability maintained.⁴⁷ In the view of some, South Korea's problem is that it “blindly follows Washington's policy” and expects too much of China given its limited influence on North Korea.⁴⁸ Meanwhile, South Korean national values were also viewed more negatively. Some Chinese interviewees lamented that South Korea had lost its moral focus on economic growth and had instead become polarized over issues of inequality and redistribution.⁴⁹ Some Chinese observers criticized South Korean politics as nationalistic and emotional, while others claimed that Koreans tend to excessively talk up Chinese nationalism.⁵⁰ Yet, some Chinese nationalists, long proponents of resisting Americanization, also started to argue that China needs cultural security from *hallyu*, the pop-culture wave from South Korea.⁵¹

South Korean perceptions of Chinese identity also markedly worsened by 2010. China's Northeastern History Project was very controversial in Korea and raised negative perceptions of Beijing.⁵² What is more, the offense that officials (not just the public) expressed toward China aggravated negative perceptions that Chinese held about South Korea.⁵³

South Korean hopes for China's positive international role were dashed during this period. As recently as 2006, many saw the road to Pyongyang as going through Beijing, but China's betrayal of expectations for evenhanded diplomacy between North and South Korea, and its perceived insensitive handling of the Cheonan and Yeonpyeong incidents changed those perceptions. In 2010, South Koreans saw less benevolence and more brazen self-interest in China's international role. Perceptions of identity difference also widened with more negative views about Chinese national values. Beijing's heavy-handed response to internal political-economic challenges after the 2008-09 global financial crisis drew the attention of South Koreans to the lack of democracy and human rights in China.⁵⁴ Beijing's policy on North Korean refugees, with occasional repatriation of people to suffer harsh punishment by Pyongyang, also widened the perceived gap on human rights with China.⁵⁵

These changes in perceived identity difference predict a negative trajectory for mutual trust between Seoul and Beijing. By comparing the two countries' defense white papers in 2006 and 2010, precisely such a reduction in trust was observed. A more lengthy analysis would process-trace (with a detailed narrative, year-by-year) how policymakers' increasing perception of difference between South Korean and Chinese international roles and values drove down mutual willingness and shared expectations for security cooperation in the bilateral relationship. The causal chain linking identity perceptions to trust beliefs is summarized below.

	International Role	National Values
Beijing's view of South Korea	Over-reaching for a country of its size, failing to show appropriate deference	From shared focus on economic development to divergent democracy
Seoul's view of China	From hopes for a benevolent international role to brazen self-interest	From single-minded economic development to calculated repression

Lower willingness in Beijing to rely on Seoul for cooperative management of regional security was based on Chinese perceptions of South Korea as impetuous and not showing due deference to Chinese interests for stability on the Korean peninsula. The Lee Myung-bak administration projected a different international role for the ROK (a “Global Korea” that demands reciprocity in dealings with the North), an identity that Chinese policymakers saw as putting principle over pragmatism (i.e., stability) in a way that could not be trusted. Meanwhile, lower Chinese expectations for the bilateral security relationship followed from a Chinese perception of value divergence with South Korea. From a Chinese point of view, Seoul transgressed away from an East Asian development model prioritizing economics over politics. As a result, South Korean identity politics were seen as injecting uncertainty into diplomacy, lowering Chinese expectations of future security ties.

Similarly, more negative perceptions of Chinese identity among South Korean policymakers pushed down ROK-China mutual trust. Lower willingness in Seoul to rely on Beijing for dealing with North Korea was based on South Korean perceptions of China's international role becoming dominated by parochial interests. Such negative perceptions built up over time, after China's failure to bring North Korea back to the Six-Party Talks, its weak response to North Korea's second nuclear test in 2009, its unhelpful stance after the Cheonan sinking, and its diplomatic shielding of Pyongyang after the Yeonpyeong shelling. On the dimension of national values, South Koreans questioned whether an undemocratic China could be a trustworthy partner, as suspicions rose over its economic involvement in North Korea and resentment grew over its support of the regime in Pyongyang.

The decline in mutual trust between Seoul and Beijing from 2006 to 2010 is, thus, explained by prior and proportional change in perceived identity difference. The next section investigates whether changing identity perceptions between Seoul and Tokyo can explain the modest increase in mutual trust between South Korea and Japan.

PERCEIVED IDENTITY DIFFERENCE BETWEEN SOUTH KOREA AND JAPAN⁵⁶

Perceptions of identity difference between policy elites in Seoul and Tokyo were within a moderate range in 2006. Japan and the ROK experienced comparable paths of rapid economic development, were on the same side of the Cold War, and continue to share the United States as their main ally. However, relations between Seoul and Tokyo did not exhibit the sustained improvement that ROK-China relations demonstrated after the Cold War. Some South Korean policy elites had a complex regarding Japan because of its colonial past, and many policy elites in Tokyo were slow to recognize Seoul on equal footing. For these reasons, an outsider might have seen more similarities between South Korean and Japanese national identities in 2006 than Koreans and Japanese chose to see in themselves.

Interviews with Japanese policymakers about their perceptions of South Korea in 2006 revealed they were somewhat apathetic toward Korean democracy. While Japanese were not fond of the dictatorial leaders of Korea's past, they were dismayed by the waves of anti-Japanese sentiment in South Korea's liberated civil society. Some policymakers viewed South Korea as well behind Japan in terms of development, and preoccupied with history as a way to deflect attention from Korean failings. Japanese strategists did not speak much of a constructive international role for South Korea; in their view, Seoul was almost completely focused on the peninsula and actions that might affect its relations with North Korea.

Likewise, South Korean policymakers' perceptions about Japan were somewhat ambivalent in 2006. Modern Korean nationalism developed in opposition to Japanese imperialism and retains a focus on a perceived lack of Japanese atonement for past misdeeds.⁵⁷ The issue of distorted Japanese textbooks (even if such texts are not widely used in Japan) influences perceptions of Japanese identity.⁵⁸ Views of Japanese national values were also darkened by stories about the poor treatment of Zainichi Koreans in Japan, attributed to the Japanese obsession with ethnic purity. Despite Japan's strongly positive economic development in the post-war era, many elites saw its international role through the lens of historical imperialism, viewing Japanese international trade and financial coordination, investment and aid as softer tools of Japanese expansionism. By 2006, such concerns began to wane as Japan's economic growth had leveled off for years, but policymakers in Seoul still did not welcome an international role for Japan's Self-Defense Forces.

Compared to the ROK-China case, perceptions of identity difference between Seoul and Tokyo were on the more negative end of the moderate range. Improvement in ROK-Japan identity perceptions between 2006 and 2010 followed positive developments in how policymakers on both sides perceived each other's international roles and national values.

Author interviews with Japanese policymakers in 2009-2010 revealed notable improvement in views of South Korea's place on the global stage. Seoul was seen as an important international economic player, not just because of the leading market

share of several South Korean companies, but also because of Seoul's productive involvement in various policy fora including the G-20. Japanese strategists now recognized South Korea's "robust involvement in the international arena" involving security issues beyond the peninsula.⁵⁹ Rather than consider South Korea "catching-up," Japanese policymakers began to talk about how Japan should not be left behind, in view of positive developments for Korean trade such as the KORUS FTA, and deeper security cooperation in the U.S.-ROK alliance. South Korean national values were also viewed more positively in Tokyo. The flow of people and cultural products between Japan and South Korea had grown substantially in the 2000s, and Japanese admired the popularity of *hallyu* and the technological competitiveness of South Korean companies. Frustrated with deadlock in their own political system, some Japanese policymakers spoke of South Korea's dynamic democracy in a more positive light.

South Korean perceptions of Japanese identity also showed improvement by 2010. Resentment over Japan's past actions were mitigated by Japanese efforts to show respect for historical sensitivities.⁶⁰ Growing Korean confidence was also a large part of this change. Japan's economic stagnation and political deadlock made clear that Japan is not invincible,⁶¹ just as confidence was increasing in Seoul about South Korea's place in the world.⁶² From a position of greater national confidence, South Korean policymakers were more likely to see Japanese politics (and identity) as coping with internal challenges rather than being hijacked by right-wing revisionists.⁶³ Officials increasingly saw Japan's regional security role as positive and important, so much so that some policymakers expressed concern when relations between Tokyo and Washington appeared strained over basing issues in 2009-2010, because they believe the U.S.-Japan alliance helps stabilize East Asia.

Changes in leadership in Tokyo and Seoul had much to do with these improving perceptions.⁶⁴ Members of the Lee Myung-bak administration came to office in 2008 with more positive views of Japanese identity, and post-Koizumi Japanese cabinets and policymakers actively sought to close perception gaps between Tokyo and Seoul. The ROK-Japan case thus provides evidence for how the configuration and decisions of leaders can affect long-held perceptions about identity with implications for the level of mutual trust.⁶⁵

These changes in perceived identity difference between Seoul and Tokyo predict an increase in mutual trust, which was indeed observed by comparing the two countries' defense white papers in 2006 and 2010. The perception among Japanese policymakers that South Korea is increasingly a capable and contributing global player increased Japanese willingness to rely on and cooperate with Seoul on matters of regional security, particularly dealing with North Korea and engaging China. The growing recognition among policymakers in Seoul that Japan is a constructive contributor to international peace and stability (rather than a revisionist power) increased South Korean willingness to incorporate Japan as a partner into the ROK national security strategy.

Meanwhile, expectations both in Seoul and Tokyo about the future of bilateral relations were buttressed by converging perceptions about national values. Each side showed increasing appreciation for the other's democratic governance

Table 2. Improvement in ROK-Japan Perceived Identity Difference, 2006-2010

	International Role	National Values
Tokyo's view of South Korea	Increasingly outward-looking, capable and willing to contribute	Shared universal values (less particular/Confucian) and more dynamic than Japan
Seoul's view of Japan	From stealth expansionist to supportive of international peace and stability	From driven by right-wing revisionists to coping with internal challenges

and cultural strengths. Converging perceptions of South Korean and Japanese international roles and values, thus, made possible greater mutual willingness and shared expectations for security cooperation in the bilateral relationship. South Korean concerns about historical issues (and hence Japanese identity) lingered, however, explaining why it may be somewhat less enthusiastic than Tokyo for further expanding security cooperation based on mutual trust. Nonetheless, ROK-Japan mutual trust improved from 2006 to 2010, a modest yet still significant increase accounted for by lower perceptions of identity difference.

CONCLUSION

Trust is not an all or nothing phenomena – it is not miraculously realized or lost. Instead, trust between national governments concerning their bilateral security relationship varies with developments in domestic and international politics. The timing, direction, and magnitude of change in mutual trust confound existing explanations based on power balance, economic interdependence, and public sentiment over historical grievances. A more sociological explanation, focused on identity perceptions, is needed. The present research used changing perceptions of identity difference to account for decreasing ROK-China trust and increasing ROK-Japan trust between 2006 and 2010. The above findings about mutual trust in Northeast Asia offer a number of foreign policy implications, as well as several cautions about changing circumstances.

The observed and explained trajectories of ROK-China and ROK-Japan mutual trust as of 2010 suggest that trilateral security cooperation among China, Japan and South Korea will be difficult to advance. Despite various drivers of community building in Northeast Asia,⁶⁶ it is hard to expect much political and security integration in the region while trust remains at such modest levels. However, it will be important to chart progress made by ROK-Japan-China trilateral summits and working meetings.

Considering the potential upsides of ROK-Japan identity perceptions (shared political values, similar goals contributing to the international community), the outlook for trust between Seoul and Tokyo is relatively favorable. Compared to Beijing, Tokyo is more likeminded with Seoul in dealing with North Korea after the death of Kim Jong-il. Japan can also be expected to engage in less “ROK passing.” Considering the potential downsides of ROK-China identity perceptions (human

rights, democracy, different role expectations dealing with North Korea), the outlook for trust is not favorable. The greater extent to which positive international roles and national values are contrasted with those of China, that is, the greater extent to which China is a negative relevant other, the less trust we can expect the South Korean or Japanese governments to have with Beijing.

Two cautionary notes about changing circumstances are in order. Although South Korea and Japan have accomplished modest improvement in mutual trust, that trust remains fragile. There are several regular irritating events (Japanese Education Ministry textbook approvals, Defense Ministry white papers mentioning the Dokdo/Takeshima island dispute, Shimane Prefecture celebrating “Takeshima Day,” and so on) as well as occasional revisionist comments by Japanese politicians about history. Developments that aggravate perceptions of identity difference send the trajectory of mutual trust downward, especially if nationalist politicians seize on an issue for electoral advantage and then rile up nationalists in the other country, setting up an identity-trust spiral. The Lee Myung-bak administration and the DPJ leadership have been mindful to avoid such spirals, but future leaders might have different priorities.⁶⁷

The present study also points to several avenues for future research. While this chapter focuses on trust between foreign policy decision makers of different countries, society-to-society relations are not insignificant for state-to-state relations. Even if political elites manage to close perceived identity differences and build trust, public opinion may not follow as positive a trajectory. This could be in part because the biases of the public may lag those of the elite, but it could also be due to public distrust of the elite in their own country.⁶⁸ An important question for future research is, thus, how public and elite perceptions of another country co-vary, depending on state-society relations within the nation doing the perceiving.

Another task for a future study would be to compare ROK-Japan and ROK-China mutual trust over a longer period of variation to see if and how the two are correlated. Mutual trust within these two bilateral security relationships are clearly not directly correlated, but they exhibited some inverse correlation, at least from 2006 to 2010. While there is no reason to believe that ROK-Japan trust and ROK-China trust are zero-sum, their respective identity perceptions are likely sensitive to changing orientations vis-a-vis North Korea and the United States. This is a complicated geometry that deserves further analysis from an identity perspective.

Based on the present research, while diplomatic rhetoric about building trust is prevalent in East Asia, much of it is cheap talk. Defense white papers are better gauges of trust than political speeches, and real trust is built with meaningful changes to perceptions of national identity. This is difficult to achieve and requires concerted and sustained efforts by political, military, and diplomatic leaders – not just for better understanding international roles and national values, but also toward improving the very content of these contested dimensions of identity.

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A Cognitive Approach to Ethnic Identity Construction in the Korean Enclave in Beijing

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With increasing economic interdependence between South Korea and the PRC since the 1990s, in recent years, over two million South Koreans are reported to cross the sea for tourism and employment opportunities in China each year.¹ Many of the first South Korean grass-roots entrepreneurs who ventured to the PRC in search of opportunities for upward mobility in the early 1990s sought out the help of bilingual Korean Chinese ethnic minorities in setting up their entrepreneurial firms. But before long, co-ethnic relations between the South Korean immigrants and their Korean Chinese workers became wrought with tension and conflict. Today, the Korean ethnic enclaves in the PRC are institutionally and socially bifurcated.² This is rather unfortunate considering the fact that the damaged relations between the South Korean immigrants and the Korean Chinese rural migrants present significant barriers to upward mobility for both parties.

Explanations for why the Korean Chinese and South Koreans have failed to establish ethnic solidarity in China are, indeed, complex. This chapter focuses on one important dimension of this problem. In the proceeding pages, I analyze how cognitive schemata based on narrow and insular understandings of Korean-ness among the South Korean immigrants in the enclave have acted as significant barriers in propagating trust and harmonious interactions between the two groups of co-ethnics. At the chapter's end, I elaborate on the implications of my findings to an understanding of "national identity gaps" in East Asia.³ The data I use for this analysis stems from ethnographic field research and formal interviews conducted in 2010 and 2011 with South Koreans, Korean Chinese, and Han Chinese living and working in the Korean enclave in Beijing.

A COGNITIVE APPROACH TO UNDERSTANDING CONSTRUCTIONS OF IDENTITY

In the chapters of this volume, scholars have grappled with how economics, culture, and politics interact to account for failed institutional integration within East Asia.⁴ On the surface, East Asia possesses many of the structural traits necessary for regional integration. Aside from geographic proximity, these countries share a historical tradition of Confucianism, similar trajectories of rapid economic growth, and increasing economic interdependence in recent years. For the most part, scholars have attributed the lack of regional integration to cultural explanations. In particular, they have pointed to the lack of a collective identity, the resurgence of nationalism, and the adverse impact of historical memories on diplomatic relations as the major reasons accounting for failed regionalism.

As Gilbert Rozman in this volume argues, however, the existing literature fails to provide a systematic and empirically rigorous explanation for why East Asia continues to struggle with institutional integration despite the slew of conditions that seem to favor it. In this chapter, I argue that in order to address this problem more directly, we need to make use of current sociological theories on culture and, more specifically, the study of boundaries and classification in the social sciences.

In their influential article, “Ethnicity as Cognition,” Rogers Brubaker and his associates point out that studies of nationalism have experienced a general “shift from definitions of nationhood in terms of common language, territory, history, economic life, political arrangements, and so on to definitions that emphasize the subjective sense of or claim to nationhood.”⁵ The authors reference the canonical work of Norwegian anthropologist, Frederik Barth, who argued that ethnicity was not a “matter of shared traits or cultural commonalities, but rather practices of classification and categorization.”⁶

In accordance, I argue that in order to understand why nationalism in the East Asian region has overshadowed the formation of a collective identity, we need to understand why nationalism is framed in the way that it is and the contexts in which these ideas are manipulated, rather than fixating on the actual “content” of nationalism itself. One important methodological tool that cultural sociologists have relied on to study how cultural objects and events are framed is the concept of cognitive schemata. Schemata are mental structures, or clusters of pre-conceived ideas, that shape how knowledge is acquired, stored, recalled, and activated.⁷ For the purposes of this chapter, I focus the scope of my analysis on the study of schemata as processors of information.

While psychologists have found that when sufficiently motivated, individuals can “override programmed modes of thought to think critically and reflexively,” such modes of thinking are rare as deliberative thinking is highly inefficient considering the overwhelming complexity of social stimuli in our everyday lives.⁸ Instead, cognitive theorists argue that in our routine interactions, individuals rely heavily on existing schemata, or structured clusters of concepts, to organize the vast amount of information we encounter. For instance, many cognitive theorists give the example of a “restaurant schema,” in which individuals habitually follow a sequence of actions including “ordering, being served, eating and paying for food at a restaurant.”⁹ Schemata also overlap with chains of events that are associated with particular racial stereotypes, as in the schema of “being-watched-in-the-store-as-if-one-were-considered-a-potential-shoplifter” for African Americans in the United States.¹⁰

Paul DiMaggio highlights four important traits in the copious literature on schemata that I would like to reiterate here for structuring my analysis. First, he notes that when faced with vast amounts of information, “people are more likely to perceive information that is germane to existing schemas.” Concepts that are schematically irrelevant often go unnoticed. Second, “people recall schematically embedded information more quickly.” Laboratory subjects were reported to have remembered more “longer lists of words, or interpret ambiguous stimuli more accurately” if the information was embedded in recognizable schemata. Third, “people recall schematically embedded information more accurately.” Finally, “people may falsely recall schematically embedded events that did not occur” in order to avoid cognitive dissonance (discomfort due to conflicting ideas).¹¹

I demonstrate below how dominant schemata play a major role in drawing in-group and out-group boundaries among Korean co-ethnics in the Korean enclave in Beijing. Due to limitations in scope, I focus primarily on how South Korean schemata constrict interpretations of Korean ethnic identity.¹² I argue that insular understandings of Korean ethnic identity that privilege mainstream South Korean views marginalize the Korean Chinese from joining South Korean social circles, networks, and organizations in the enclave. Moreover, such exclusionary views of Korean ethnic identity also actively contribute to the formation of tensions and animosity between South Korean immigrants and Korean Chinese minorities in the enclave.

DATA AND METHODS

Interview and Ethnographic Data

I analyzed twenty-eight hours of transcription manuscripts of forty-five semi-structured interviews with Korean Chinese and South Korean individuals who work and live in Wangjing, the Korean enclave in Beijing. Each interview ranged from thirty minutes to two hours. I conducted these interviews in a variety of settings including bars, restaurants, churches, coffee shops, streets, stores, and private residences. I used the snowball method with multiple entry points to recruit Korean Chinese and South Korean interviewees. These different entry points correspond to the various roles I assumed while conducting ethnographic fieldwork, including a major South Korean conglomerate where I worked, a Korean Chinese ethnic church where I taught English, a South Korean church where I served as a translator and keyboardist, a Korean Chinese-run tea shop I frequented, and a small Korean Chinese-run clothing shop where I also worked part-time. I made an effort to interview individuals of varying ages, gender, marital status, educational levels, and socioeconomic status. Because I experienced difficulty recruiting men, individuals of lower socioeconomic status, and individuals over fifty among both Korean Chinese and South Korean populations, the reader should be cognizant of this demographic bias.

Survey Data

I also administered a survey with a team of Korean Chinese and South Korean college students between 2010 and 2011. We mainly targeted Korean ethnic churches as well as public spaces in the enclave such as popular parks and shopping centers. Our team offered an honorarium of thirty RMB (a little less than five US dollars) or a USB port as an incentive to participate in our survey. We were able to obtain 381 South Korean and 417 Korean Chinese participants. Questions on the survey covered basic demographic traits such as educational background, hometown, years in Beijing, and income, as well as nature of work environment, relationships and networks, and attitudes on inter-group relations in the enclave. The National Science Foundation Dissertation Improvement Grant provided funding for the data collection of this project.

DISCUSSION

Broken Solidarity and Trust in the Korean Enclave in Beijing: Broad Empirical Trends

Results of an originally conducted survey of nearly 800 Korean co-ethnics provide overwhelming evidence of feelings of alienation and disconnect between the South Koreans and Korean Chinese in the Korean enclave in Beijing. To briefly cite trends here, results indicate that despite the fact that South Koreans come into extensive contact with Korean Chinese minorities in the workplace and elsewhere in the enclave, few develop personal relationships with each other. Of 381 South Korean respondents in the enclave, only 23% socialized with Korean Chinese minorities outside of the workplace. Fifty percent of respondents reported that they knew no Korean Chinese minorities whom they could ask for help during a time of need and another 19% only knew of one Korean Chinese person they felt comfortable contacting. These figures are striking in light of the fact that only 4% of the same group of people knew of no South Koreans and only 34% knew of no Han Chinese to rely on during trying times. This is to say that South Koreans are more isolated from the Korean Chinese community than they are from the Han Chinese in Beijing.

Furthermore, responses to attitudinal questions reflect strong trends of distrust and tension between the two waves of co-ethnics. Only about one-fifth of the population answered that they believed that South Korean entrepreneurs who collaborated with Korean Chinese minorities were more likely to succeed in their businesses. Only about ten percent of South Koreans surveyed reported that they trusted Korean Chinese minorities more than the Han Chinese. And only about a third of the population regarded the Korean Chinese as members of their in-group.

Empirical evidence of South Korean and Korean Chinese animosity extends beyond the survey responses that I have produced above. Through my experiences conducting ethnographic fieldwork in Beijing from 2010 to 2011, I have found that the Korean enclave is deeply bifurcated institutionally, separating the Korean Chinese organizations from those of their South Korean co-ethnics. South Koreans and the Korean Chinese live in distinct neighborhoods within the Korean enclave. They do not shop at the same shopping malls. They do not socialize together outside of the workplace. They attend separate churches, hold separate annual sports and cultural events, and congregate in separate business organizations.

Interview transcripts and field notes provide deeper insight as to how and why the South Korean immigrants and Korean Chinese minorities have come to develop such strong feelings of animosity towards each other. Here, I delve only into the implications of one important trend, arguing that the lack of a cognitive schema or conceptual framework that is inclusive of both South Koreans and the Korean Chinese minorities plays a powerful role in contributing to the bifurcation of the Korean ethnic community in Beijing. The lack of a broad and inclusive Korean ethnic identity schema is not only indicative of discursive barriers in describing more inclusive interpretations of a Korean ethnic identity, but it also reflects the

lack of a means to cognitively grasp the notion of a Korean ethnic identity that expands beyond insular understandings of South Korean ethno-national identity as propagated by the mainstream South Korean media.

Cultural Differences and Group Boundary Construction

During many of my interviews, I asked Korean Chinese and South Korean migrants in my field site why they thought the enclave was so noticeably fragmented. Many responded that they thought that it was because the South Koreans and Korean Chinese had evolved to embody different forms of Korean ethnic culture over the five decades of isolation they experienced. As one Korean Chinese lawyer to whom I spoke put it:

In the very beginning... in the early nineties when the South Koreans first came over to China in large numbers, they were so excited to meet us [Korean Chinese]. They saw us as co-ethnic brothers who they were reunited with after a long period of separation. But the more they got to know us, the more they realized that we were so different. It's as if there is always something a bit off... something a bit inauthentic about us... We eat kimchee, just like they do, but something about our kimchee is a bit too sour. We speak Korean just like they do, but we speak Korean with a strong regional dialect... it's closer to North Korean than South Korean speech. We are filial to our parents and respect our elders, just like South Koreans are... but something about our Korean culture is different. Everything is slightly off. I mean it's inevitable that it would be since there was no contact between South Korea and the PRC for over fifty years before [Sino-South Korean] normalization.

Culture is, indeed, dynamic and constantly evolving. And certainly, few would argue that all ethnic Koreans inherently share only one authentic Korean culture. Rather, scholars by and large have argued that the ways in which Korean culture is understood and manifested depend on the contexts in which it is practiced. Thus, I was, on the one hand, surprised by the nuanced and sophisticated understanding of culture that the Korean Chinese lawyer and others I interviewed in the enclave seemed to have. But on the other hand, I believe that even such sophisticated understandings of culture fall short of capturing the actual reasons why the Korean Chinese and South Koreans fail to get along in the enclave. I argue below that it is precisely because culture is such a malleable social construct that it serves conveniently as a mechanism for understanding difference in the enclave.

What do I mean by this? The fact that the Korean Chinese and South Koreans in China practice different forms of Korean culture as a result of having framed different understandings of Korean culture after many years of isolation is certainly true. However, if this “difference” in culture were to actually account for the social and institutional bifurcation of the Korean enclave, then we would also expect further fragmentation along regional lines. Koreans from Pusan, a major city in South Korea, for instance, also speak with a distinct regional accent and are known to have particular mannerisms. Similarly, Korean Chinese minorities

from Yanbian, the Korea Autonomous Prefecture in China, speak a strong North Korean accent while those from Heilongjiang, a province in China located north of Yanbian, speak with a distinct South Korean regional accent.

While one can argue that the cultural “distance” between South Koreans from Pusan and Seoul is much closer than that between South Koreans and the Korean Chinese collectively, we soon run into ambiguous territory as to where to draw the line in how much “difference” justifies demarcation of distinct cultural groups. Indeed, some would even argue that the Korean culture that the Korean Chinese practice is no more different from the regional distinctions between Koreans from Pusan and Seoul. Thus, it is much more likely that culture is used as a means for South Koreans and Korean Chinese to retroactively rationalize the driving force behind their internal conflicts. It is much more likely that for the Korean co-ethnics living in the enclave, differences between South Korean and Korean Chinese culture is used as a vehicle for explaining and understanding why the two groups cannot get along. The actual cause of fragmentation within the enclave, however, is more difficult to discern.

Previous sociological accounts of ethnic identity construction demonstrate that the boundaries of in-group and out-group membership vary by the circumstances that individuals are in. In the canonical works on immigrant adaptation in America, scholars find that Polish peasants and rural lords, who had little in common in the homeland, came together and formed ethnic communities upon landing in the United States.¹³ Along similar lines, the ethnic enclave hypothesis, for instance, argues that a common structural position of disadvantage creates a sense of “common fate” among ethnic minorities who might have previously seen themselves as belonging to disparate backgrounds in the homeland.¹⁴ Upon immigration to the United States, these ethnic minorities construct a new collective identity and community based on a shared ancestral heritage and native language. As Portes and Bach argue:

[Ethnic] culture is not a mere continuation of that originally brought by immigrants, but is a distinct emergent product. It is forged in the interaction of the group with the dominant majority, incorporating some aspects of the core culture, and lending privilege to those from the past who appear most suited in the struggle for self-worth and mobility. ‘Nationalities’ thus emerge among immigrants who shared only the most tenuous linkages in the old country. They are brought together by the imputation of a common ethnicity by the core society and its use to justify their exploitation.¹⁵

This line of work argues that immigrants reconstruct boundaries of what is considered in-group culture according to the contexts and structural positions that they are in.

From this perspective, we can argue that one critical reason why the South Korean immigrants and Korean Chinese have been unable to manipulate Korean ethnic identity schemata such that they are inclusive of both groups of co-ethnics in the enclave is due to the sharply distinct structural positions the Korean Chinese minorities and South Korean immigrants hold in Chinese society. The South Korean immigrants, as foreigners in the PRC, have precarious legal statuses. While

those elite expatriate businessmen who are dispatched by large South Korean conglomerates such as LG, Samsung, Hyundai and the like have access to proper legal documents that allow employment in China, the vast majority of grass-roots South Korean entrepreneurs do not have access to such a luxury. These immigrants arrive in China on short-term tourist visas and set up their small shops without proper legal documentation for their entrepreneurial activities in the enclave.

In contrast, the Korean Chinese rural migrants do not face the same risks for deportation nor the same legal barriers in setting up businesses due to their status as PRC nationals. As a result, in the early years of Sino-South Korean diplomatic normalization, South Korean entrepreneurs often partnered with Korean Chinese rural migrants in order to gain access to various licenses and legal documentation required to establish their entrepreneurial firms. But rather than stories of co-ethnic partnership, stories of co-ethnic betrayal have since started to circulate around the enclave. Many of the South Korean entrepreneurs I interviewed claimed that their businesses had failed because they were blackmailed by their Korean Chinese managers. One South Korean entrepreneur I met provided me with one rendition of such a story of co-ethnic betrayal:

Most of the South Koreans here don't trust the Korean Chinese. They've come to be that way through personal experience. Even though there are some people who have not experienced being deceived by the Korean Chinese, when people first arrive here in Beijing and we South Koreans tell them about what it's like to live here, we let them know right away about this situation... Let's take, for instance, that you wanted to start a restaurant here in Beijing. South Koreans have enough money or other financial capital to start a business here... However in situations where the CEO is really unfamiliar with Chinese culture and cannot speak Chinese, and only invests his money in his business, the businesses have all failed. The Korean Chinese are blinded by money. They see that they can earn money really quickly and easily without trying very hard... If they are able to fool the owner even for just a moment, money just flows into their pockets... those Korean Chinese who are not educated try to just deceive South Koreans. They act as intermediaries, fool their bosses, and try to slip money from between the cracks. And because they speak Korean, they seek out problems that South Koreans struggle with most and scheme South Koreans into giving them money.

Whether these stories are actually as far-reaching as they purport to be is difficult to verify. But suffice it to say that they act as further empirical evidence of distrust between the South Korean immigrants and the Korean Chinese minorities in the enclave.

In the Korean enclave, there is less of a sense of "common fate" binding the Korean Chinese minorities and South Koreans together, of which Portes and Bach speak in their study of Latin American immigrants in the United States. This lack of a common consciousness of shared disadvantage in Chinese society helps us understand why the Korean co-ethnics in the enclave have failed to manipulate

schemata related to Korean ethnic identity such that they are more inclusive of both themselves and their co-ethnic brethren. Along these lines, we can argue that one's structural position compels individuals to perceive "differences" or "similarities" in ways that allow them to successfully consolidate and mobilize resources within their in-group. Here, culture plays an important role in acting as a mechanism for justifying boundary-marking behavior separating members of the in-group from the out-group.

South Korean Discursive Marginalization of the Korean Chinese Minorities in Beijing

South Koreans in Beijing grapple with understanding how to define the Korean Chinese minorities in the enclave. On the one hand, the Korean Chinese are co-ethnic brethren and as co-ethnics they should be considered part of their in-group. But on the other hand, as Chinese nationals who spent the majority of their lives in the Chinese countryside, many South Koreans feel that recognizing the Korean Chinese as members of their in-group implicitly threatens their privileged status as wealthy and "civilized" South Koreans. Thus, for these immigrants, perhaps the most socially acceptable way of describing the ambiguous identity of the Korean Chinese is as Chinese people who can speak Korean. One South Korean man I worked with closely at a major South Korean church in the Korean enclave in Beijing illustrates this tendency particularly clearly. During an interview, he stated:

I was really curious about what kind of people the Korean Chinese minorities were [prior to coming to Beijing]. Why do they know how to speak Korean? How are these people able to carry a conversation with me even though they are Chinese [중국사람]? How come they are in China? I was curious about things like that but, honestly, because I didn't really have many opportunities to come across them [in Korea], so I was more or less indifferent about their existence.

Prior to coming to the PRC, South Korean immigrants are largely ignorant of the existence of the Korean Chinese minorities despite the fact that these ethnic minorities have in the past decade become a significant minority population within South Korea, as well. According to South Korean mass media sources, in 2011, 500,000 Korean Chinese were reported to live in South Korea and over half were found to reside in Seoul. As a result of such ignorance and indifference towards the Korean Chinese ethnic minority, many South Koreans fall susceptible to mainstream media depictions of the Chinese and the Korean Chinese in forming their impressions of these groups.

This leads us to ask: what then, are the nature of the cognitive schemata that South Koreans hold towards the Chinese, and by default, the Korean Chinese, as well. When I asked a South Korean woman in her thirties who worked for a large South Korean firm in the enclave, why she had come to have such a negative image of China before she arrived, she answered:

Like from the Internet and other forms of mass media. For instance, you know how we use a lot of products...and foods from China, right? So if something was made in China, we expect it to break really fast. Or, if we buy food imported from China... from the media, we are exposed to a lot of weird stuff... to give you an example, like chicken feet... they were showing Chinese women eating chicken feet... but how can I explain it... they were ripping off the skin of the chicken and the way they were filmed, they really looked very uncivilized. It was kind of disgusting. There were a lot of pictures of those women on the Internet. Or, there was this news story about a sandwich that was imported from China, and from the outside, it looked like there were eggs and ham like any other ordinary sandwich, but once you opened up the sandwich, there was nothing inside. There were only the trimmings of eggs and ham, on the outside that it looked like an ordinary sandwich to people at first glance. So most of the pictures and news stories on China I came across on the Internet and TV were along these lines. It's really common for Koreans to associate their impressions of the Chinese with something that is uncivilized, low-quality, underdeveloped, inferior, boisterous and so on.

To many of the South Koreans I interviewed, China represented an all-encompassing image of something that was “uncivilized, low-quality, underdeveloped, inferior and boisterous.” Moreover, schemata were not distinguished according to the type of object, but included a whole slew of diverse cultural symbols that ranged from individuals to customs to commercial products to a country.

Due to this lack of differentiation, one negative comment made about Chinese customs, for instance, is also easily interpreted as a negative comment about their people and the country, itself. And because the Korean Chinese are primarily seen as “Chinese who can speak Korean,” the Korean Chinese have come to interpret negative stereotypes that South Koreans hold towards the PRC as indirect, yet deeply personal, affronts. An excerpt from a recorded conversation with my Korean Chinese research assistant illustrates this dynamic.

I know it's not fair of me, but I react more sensitively to things that South Koreans say to me. I think it's because I have a bias that they look down on us Korean Chinese. Once, I was leading a group of South Korean tourists around major sites in Beijing, and one of the men in my group said something like, 'Wow, I never knew that there were so many nice European cars in Beijing, too.' I was really offended by what he said because he seemed to imply that China was still backwards and underdeveloped. But then later on, he said that he had visited Beijing ten years ago, and back then, there were a lot of bicycles and not as many cars. I thought about it and what he said made sense. I know that I was being a little over-sensitive with him because he

was South Korean, but I can't help it. When a South Korean starts to make a comment about China, it kind of makes me put my guard up instinctively. That's just the way things are for us Korean Chinese.

Here, we can see how a Korean Chinese woman admits that her initial interpretation of the South Korean man's observation of the surprising number of luxury vehicles in Beijing was negative. Upon hearing his comment, she immediately assumes that the South Korean is implying that China is a poor, underdeveloped country. Moreover, she automatically connects the notion that China is underdeveloped to South Korean views on Chinese people in general. Later on, by speaking to him at more length, the woman realizes that he was making a simple empirical observation rather than unfavorably comparing China to South Korea.

Assumptions that the South Koreans look down on the Korean Chinese as PRC nationals and as outsiders, who cannot be trusted, complicate social interactions between the South Koreans and Korean Chinese in Beijing. In many cases, it causes the Korean Chinese to react more sensitively to comments that in more neutral settings would be interpreted as innocuous. This tendency also creates hypersensitivity on the part of South Koreans to act cautiously when interacting with the Korean Chinese. As one South Korean man put it:

When I see a Korean Chinese person, sometimes I want to go over and start a conversation with that person. But then, I think to myself, what if he thinks that I am suspicious or strange for wanting to talk to him for no apparent reason. What if he realizes that I am South Korean and feels intimidated by me? I want to go over and talk to them and become friends with them not because I want them to help me with something, but because they know how to speak Korean, but I often feel silly for feeling these things. I feel like I would cause more problems if I did.

What is interesting about the interview excerpt above is the fact that he assumes that it is strange and out of the ordinary for a South Korean to want to act friendly towards a Korean Chinese minority with no ulterior motive. In a sense, this is because throughout my interactions with both Korean Chinese and South Korean individuals in Beijing, I have found that the vast majority of relationships between South Koreans and Korean Chinese are born out of necessity. South Koreans seek out the help of the Korean Chinese in order to navigate the foreign environment that is China and the Korean Chinese allow themselves to enter into relationships with the South Koreans despite knowing that they are considered outsiders and as inferior due to material gains that close networks with South Koreans potentially provide. Nonetheless, the two excerpts I have presented above demonstrate how derogatory South Korean schemata of the Korean Chinese as primarily "Chinese people" rather than as co-ethnics can lead to significant barriers in forming personal relationships. Such personal relationships are necessary for the eventual modification of these rigid and exclusive schemata that continue to bifurcate the Korean ethnic community.

During a different interview, a highly educated Korean Chinese woman elaborated on why she thought there was a lack of distinction in perceptions of individuals and the countries from which they come. She said the following:

How should I explain this? Let me give you an example. A lot of Korean Chinese women get married to South Korean men. But even though a lot of these women actually bring home a higher salary than their husbands, they are still looked down upon by their South Korean mothers-in-law even if she didn't work at all. We're mistreated for the sole reason of being Chinese and it doesn't matter how hard we work at trying to please the South Koreans... When I read South Korean newspapers, there are so few articles that have anything positive to say about China. They proactively publish a lot of articles that portray China in a bad light because mass media is closely related to politics. I don't remember one time when they talked about how developed China had become or how it was to live here.

As this woman articulates, the ways in which individuals perceive each other in the enclave are not shaped so much by individual-level characteristics such as socioeconomic status or economic background. Rather, one's nationality plays a more potent role such that the stigmas that are related to one's national identity trump the concrete backgrounds of the individuals involved in the social interaction.

A South Korean woman I interviewed further demonstrates how this dynamic blocks intimate relationships between the Korean Chinese and the South Koreans from forming in the Korean enclave in Beijing.

In the eyes of South Koreans, the Korean Chinese only appear subordinate to them. They do not feel that they are on equal terms with the Korean Chinese no matter how poorly educated a South Korean is. At our church, there is a young Korean Chinese woman who is married to a South Korean man. She graduated from a very elite university in Beijing. When she goes back to her hometown, they have banners with her name and university on it because they were so proud of her accomplishments. Even people as elite as her are looked down upon by South Koreans by virtue of being Korean Chinese. When they speak, the South Koreans have these types of facial expressions [she crinkles her forehead and squints]. You can tell from their facial expressions [that they are prejudiced]. To other people they are so warm and friendly, but they are brusque towards the Korean Chinese and walk past them. I think this behavior comes from a sub-conscious prejudice that South Koreans have that the Korean Chinese are of a lower class.

The prejudice that the South Koreans hold towards the Korean Chinese acts as a negative feedback loop in causing the South Koreans to continue to avoid associating with their Korean Chinese counterparts as members of their in-group for fear that they, too, will be treated as inferior by doing so.

IMPLICATIONS FOR NATIONAL IDENTITY GAPS

In reaching these series of findings, I am able to provide empirical evidence that Rozman's concept of national identity gaps affects not only the nature of diplomatic relations between the PRC and South Korea at the macro-sociological level, but also that they play a palpable role in blocking cross-cultural relations between immigrants and locals at the micro-sociological level. Here, I define national identity gaps as perceptions that one's nation is markedly different from another, or in this case, the notion that South Korea for various reasons is distinct and, thus, superior to the PRC. In this section, I analyze how the analytical framework of the cognitive schema might develop existing understandings of national identity gaps on two major levels.

First, one can show that the perceptions of difference and superiority that individuals hold at the grassroots level are strongly shaped by the mass media. National identity gaps are so deeply entrenched and resistant to modification according to new, and often more accurate, information obtained from actual social interactions with the "Other" precisely because they are enacted via cognitive schemata. Hence, my findings show that national identity gaps shape social interactions and the formation of networks rather than the other way around. This implies that in order for trust to form between two parties that are characterized by animosity, change needs to occur on the level of national identity discourse, particularly in the media, such that similarities are stressed. Moreover, when this change is complemented by structural changes such that the legal statuses of South Korean immigrants and Korean Chinese minorities in the PRC become more comparable with each other, it is more likely that Korean co-ethnics will begin to interpret schemata on Korean ethnic identity to emphasize similarities over differences. However, increased social contact on its own will not necessarily lead to closer, more harmonious relations between two groups if this contact is not accompanied by change at the discursive and structural levels.

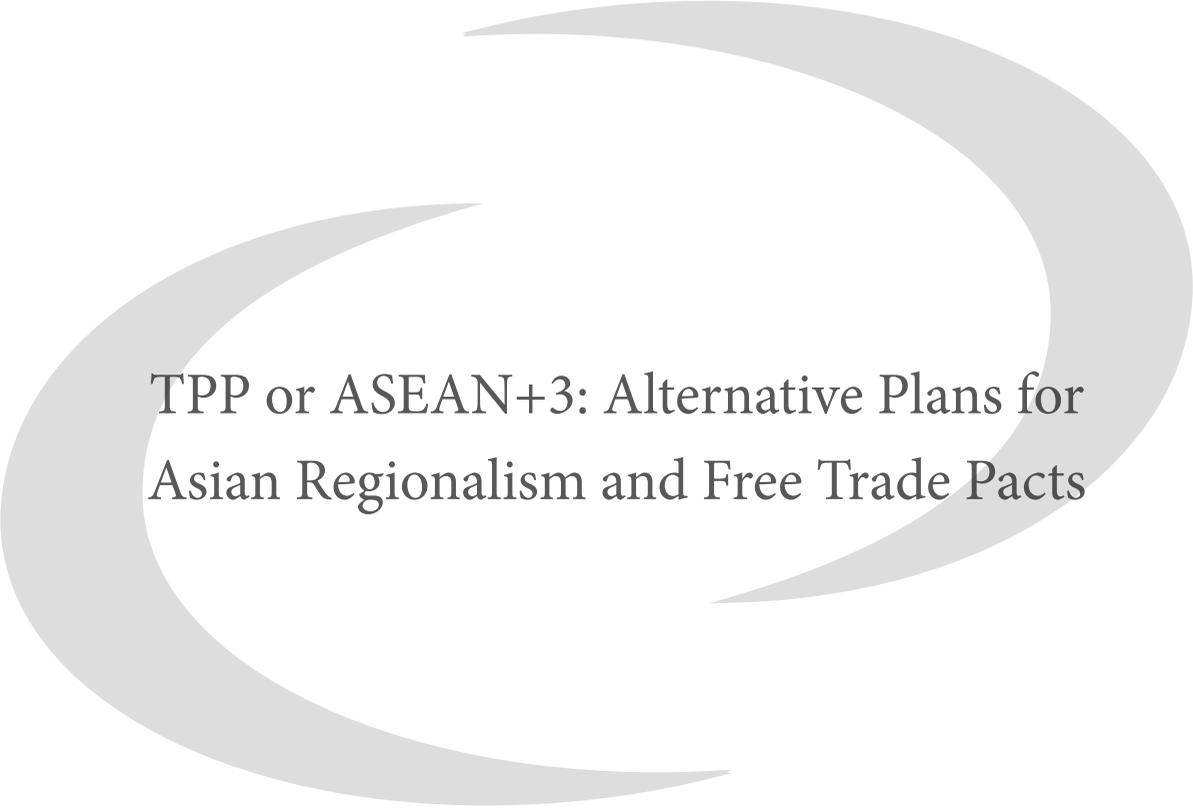
Second, my case study demonstrates that in the case of China and South Korea, national identity gaps are used not only to distinguish the Han Chinese from the South Koreans, but also, to distinguish the South Koreans from co-ethnic Korean Chinese rural migrants despite the fact that the two groups of co-ethnics clearly share an ancestral heritage. I argue that one major reason why the South Koreans are motivated to do so is because the Chinese upbringing of the Korean Chinese potentially threatens the symbolic superiority of their South Korean status. In the eyes of the South Korean immigrants in the enclave, the Korean Chinese are viewed as an economically disadvantaged group due to their Chinese background, and thus, associating with them as members of an in-group threatens their self-perceptions that they are a group that is economically privileged in contrast to the Chinese.

Here is a case that demonstrates how national identity gaps do not necessarily function along clearly demarcated boundaries of nation-states—which in this series of papers, includes South Korea, the PRC, and Japan—but they also powerfully work to distinguish the in-group as unique from ambiguous "Others," who according to different historical and social contexts could just as easily be framed

as members of the in-group. Individuals utilize these “perceptions of difference” in their everyday lives to achieve strategic ends—to preserve the sanctity of their self-image as superior. But by doing so, the South Koreans unfortunately miss out on an important opportunity to collaborate more effectively with the Korean Chinese to secure successful businesses in Beijing.

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TPP or ASEAN+3: Alternative Plans for Asian Regionalism and Free Trade Pacts

INTRODUCTION

Korea is on the front line between two contrasting proposals for regionalism based on economic integration. On the one side is the Chinese effort to establish an exclusive economic bloc in East Asia, starting with ASEAN+3 and the trilateral Sino-Japanese-South Korean summit. Given the growing dependence of the South Korean economy on China and the launching of FTA talks between South Korea and China in 2012, resistance to China's persistent overtures may prove difficult. On the opposite side are the TPP talks aiming for an agreement at the end of 2012, which Japan has considered joining since November 2011. This agreement would build on the ratification of the Korean-U.S. FTA by both Washington and Seoul in the fall of 2011 if South Korea decided to join. With its emphasis on setting a high standard for economic exchange and corporate governance, this would establish a united front to encourage China to separate politics from economics if it did not want to be excluded from the next wave of institutionalization of economic ties. In a year of elections, South Korea straddles the two possibilities, as the opposition calls for renegotiating the KORUS FTA and the public remains wary of negotiating an FTA with China, deepening dependency.

Ed Lincoln explains U.S. interest in TPP. He traces the timing to a drawdown in the Iraq and Afghanistan wars, and a recovery from a preoccupation with security and the 2008 world financial crisis. Noting the increasingly assertive nature of Chinese policies, he observes that U.S. entry into TPP negotiations came at a time when it was convenient to express displeasure toward China. The core of his argument deals with the prospects for finding another way forward after the dismal record of the Doha Round of negotiations on a global level that permits agreement on services, which are a U.S. advantage, and for reviving trade talks with Japan after a hiatus of fifteen years in efforts to deal with its trade barriers. Lincoln argues that the TPP fits logically into the evolution of U.S. foreign policy after opposition to bilateral and regional agreements dissipated, as a way to obstruct a purely East Asian form of regionalism that would interfere with both economic and strategic goals, and as a means to gain greater U.S. access for internationally competitive service industries.

Hyung-Gon Jeong lays out the calculations of South Korea's relative gains in choosing one option or the other. He explains U.S. motives, which include stymieing China's inward looking strategies, acquiring leadership, and transforming the Chinese economic system in its favor. Jeong proceeds to consider Japan's motives for joining the TPP, including opening Japan as a new engine to connect it to global economic trends, changing its agricultural structure, and consolidating its alliance with the United States in the face of concerns about China and competition with South Korea. Finally, he notes China's new flexibility in support of an ASEAN+6 FTA and its renewed push for an FTA with Japan and South Korea, as it shows antipathy toward the TPP while keeping its options open. In these circumstances, Jeong estimates that South Korea would gain more from an ASEAN+6 FTA than from the TPP. Yet, he suggests that if Japan were to join the TPP, however unlikely, this would likely trigger South Korea's decision to join. He concludes that it should not rush, as the pros and cons of joining are still uncertain, while watching the movements of China and Japan as the new organization is taking shape.

Peter Petri explains that the competition in the Asia-Pacific takes place in a highly positive-sum context. Warning that the early contest between the TPP track advocated by the United States and an exclusively Asian track pressed by China may lead to hardened positions that preclude later convergence, Petri optimistically envisions a multi-stage process with benefits to China and the United States from consolidating the two tracks as liberalization progresses along each of them. In the first stage he finds that the benefits will depend in large part on preferential access to the markets of the United States and China, yielding important gains for smaller countries. In the second stage, integration would extend to several large economies on each track, and countries that join both tracks would benefit the most. Finally, in the third stage China and the United States would be left among the few economies without preferential access to both of their large markets. A consolidated agreement would enable them to realize most of the gains, providing incentives for these states to move to this stage of deep economic integration. Without taking account how the impact of the factors raised in Parts 1, 2, and 3 of this book will play out, this upbeat analysis of the momentum economics can generate offers a hopeful prognosis.

The three chapters of Part 4 are the sort of accessible economic analysis that should caution critics of political leadership struggles, natural security dilemmas, or national identity gaps from dwelling on negative tendencies. Yet, as economists are optimistically showing the way toward mutual prosperity based on still significant complementarities, there are undercurrents that should not be overlooked. East Asian states not only have vested great prestige in economists who have shown the way toward successive “economic miracles,” an unprecedented rate of regional economic integration, and widespread public support for not falling behind their neighbors’ enthusiasm for more FTAs, they have also kept control in the hands of politicians who were well known for fiercely protecting particular sectors of the economy and delaying reforms to open them in the face of U.S. pressure. Despite the rosy scenarios of a positive-sum race to openness in the chapters that follow, the path forward is complicated by these politicians, who are under the influence of ideologies anathema to most economists, and by public faith in national identities, which are inconsistent with bold reforms.

Two undercurrents keep resurfacing when economists look closely at the U.S. drive to conclude a platinum-standard TPP with wide membership in 2012 and the Chinese drive to jump-start negotiations for a China-Japan-South Korea FTA from May 2012. First, many understand this competition to be driven by hegemonic ambitions, which block not only the ultimate economic prize of one overarching Asia-Pacific FTA, but also a truly successful outcome in each of the two separate negotiations. For instance, Japanese fear of U.S. hegemony has not disappeared after the “trade wars” of the 1980s-90s, and South Korean fear that China’s large bilateral trade deficit amid worrisome levels of dependence leave Chinese feeling entitled to a one-sided, low-level FTA that does little to open China’s markets. In light of fierce political in-fights, Japan and South Korea may stall.

The other worrisome undercurrent is distrust of China's shift toward greater state intervention as a fundamental barrier to a high-level FTA. This raises concern that protectionist measures will take unexpected forms, economic dependency will enable monopolistic and political ends, and even that there remains a socialist core to China's market economy. Distrust of China casts a shadow over the Asian track even prior to the challenge of reconciling the two tracks.

Together the four parts of this book point to conflicting currents that leave the Asia-Pacific future uncertain. Leadership is in the midst of its most far-reaching transition in decades with little indication of more cooperative attitudes. Security relations are growing tenuous. National identity gaps are widening without networks likely to reverse the trend. Only economic negotiations suggest a more optimistic outcome, but they too must overcome polarizing trends. The three chapters that point the way to new agreements capitalizing on complementary economies show why nations should overcome bilateral problems, but they do not contradict views in earlier chapters that indicate how politics, security, and culture stand in the way.

The U.S. Approach to Regional Trade Agreements Involving East Asia

EDWARD J. LINCOLN

The U.S. government has had a long and convoluted approach to the issue of bilateral or regional trade agreements involving East Asian countries. This paper focuses on three key aspects of this history: the intellectual battle between global and bilateral or regional approaches to trade agreements, the relationship of trade policy to U.S. security policy, and the rising importance of trade in services. Fundamentally, American economic policy toward East Asia is rooted in the strategic involvement of the United States in the region, which leads to a preference for trans-Pacific trade agreements rather than the intra-Asian alternative. But the U.S. approach to regional trade issues was complicated over the years due to the strong belief among economists and government officials that the global approach to trade and investment issues is more efficient than a bilateral or regional approach. Nonetheless, the rising importance of international trade and investment in service industries has helped push the U.S. government away from its commitment to the global approach since the World Trade Organization has made relatively little progress yet on covering these issues. This chapter explores the evolution of American policy in the context of these factors.

THE INTELLECTUAL DEBATE OVER TRADE POLICY

For at least the past century, American undergraduate students have been taught about the virtues of free trade. The theory is rooted in the work of Adam Smith's concept of absolute advantage (1775) and David Ricardo's (1820s) concept of comparative advantage. In the 1930s, Heckscher and Ohlin extended the theory to explain why nations have a comparative advantage in particular products (based on varying economic resource endowments across countries), and shortly after World War II, Paul Samuelson added mathematical rigor to the theory. As taught today, comparative advantage theory is often called the Heckscher-Ohlin-Samuelson theory. The basic conclusion of all versions since the late 18th century is that nations benefit from being open to international trade. There are few, if any, concepts in theoretical economics on which virtually all economists (at least in the United States) agree.¹

Newer theories of trade, such as differentiated products and intra-industry trade, the product-cycle theory, or external economies of scale and clustering, emerged in the 1960s and 1970s, but none of them counter the belief that open international trade is the best policy. For a time, the concept of internal economies of scale led economists to suggest that protectionism to permit a domestic industry to grow to a sufficient size to achieve lower production costs might justify temporary protectionism. Dubbed strategic trade policy, the basic idea was that developing countries could grow industries in which they did not currently have a comparative advantage, but in which they could become competitive in the future once the scale of production grew behind protectionist barriers and as wages rose to a level giving them a comparative advantage in the protected industry. Japan's export success in the first three decades after World War II was often used as the example of how such a policy might succeed, as it protected industries such as automobiles in which it had no comparative advantage in the 1950s. However, the weak economic performance and inefficient industries of most countries that followed such policies (such as India) caused this concept to be largely abandoned by economists. Today, most economists

support the notion that even developing countries will perform better (that is, grow faster) with greater openness to international trade and investment. That conclusion has characterized American trade policy for the past two decades—developing countries should lower their barriers for their own good.

The point of this discussion is that any American taking an introductory economics course in the past century has been taught the value of free trade. Economic welfare of the society rises when consumers can purchase products from the most efficient producers in the world. Nonetheless, the concept of free trade remained unpopular politically through the 19th and early 20th centuries. Only the economic disaster of the 1930s (during which politicians in many advanced countries raised tariffs) and the subsequent devastating war led toward political acceptance of reducing or eliminating trade barriers. For the Americans, the concept gained additional desirability due to the strong position of many manufacturing industries in the immediate aftermath of the war (industries that would benefit if barriers in other countries were lowered). The result was the General Agreement on Tariffs and Trade (or GATT, now the World Trade Organization, WTO), created in 1947. One of the hallmarks of the GATT agreement was a principle of “most favored nation,” which states that any member nation that permits a lower tariff on a product coming from another member must extend that lower tariff to every other member of the GATT. The goal was to end the discrimination that had been rampant in the 1930s in which nations had high tariffs in general, but applied lower tariffs to products from some “favored” trade partners.

The principle of most favored nation became the bedrock for American trade negotiators for the next several decades, and energized an international bargaining process that lowered trade barriers around the world in a series of multilateral “rounds” of negotiations among GATT member countries. However, Article 24 of the GATT (and the follow-on WTO) allowed one exception to the most favored nation principle. If two or more members were willing to remove “substantially all” trade barriers among themselves, then the agreement would be permitted.² Presumably, this exception had been included in 1947 to accommodate the Imperial Preference System of the British Empire (a large free trade area among all the members of the empire). Little used by other GATT members, this exception finally became popular around the mid-1980s, and the number of such agreements (free trade agreements, or preferential trade agreements) has exploded since that time. As of 2011, the WTO reports 319 bilateral and regional preferential agreements in active use.³

As these agreements began to proliferate, economists were deeply divided on their impact. Economists have had three principal objections to free trade agreements. First, any agreement between two countries that eliminates tariff and other barriers implies that some imports will be switched from the globally efficient manufacturer to one located in the partner country. In that case, the government of the importing country no longer receives the revenue from collecting the import tariff. This loss of revenue is called the trade diversion effect, and is a net economic loss for the importing country. Trade diversion also implies an inefficient allocation of productive resources as less efficient firms benefit from exporting to a partner country at the expense of more efficient firms not located in the trade bloc. Second, every bilateral

agreement is negotiated separately, so that the coverage and rules will be different, creating what leading trade theorist Jagdish Bhagwati dubbed the “spaghetti bowl” effect, creating confusion and extra costs for firms as they attempt to keep track of the mass of differing rules.⁴ Third, every preferential agreement must include rules on what is legitimately a product manufactured within the partner country by specifying the share of local value added in a product necessary to qualify as being manufactured within the exporting member country. These “rules of origin” open the way for challenges and the necessity for adjudication of disputes, adding another layer of cost that does not exist when a tariff applies to all imports.

Free trade agreements do, however, have some advantages, not all of which are strictly economic. First, in an era when membership in the WTO exceeds 150 countries, global agreements have become very difficult to negotiate. The current Doha Round began in 2001 and remains uncompleted eleven years later. A bilateral or small group agreement can typically be completed within a year or two. The long wait for progress at the global level means that achieving pockets of progress around the world might be better than no progress at all.

Second, these agreements involve trade creation. Consumers now have access to imported products at a lower price (since the imports from the partner country enter paying no import tariff), even if the product is not coming from the globally efficient producer. Lower prices (and expanded consumption of the imported product) increase economic welfare (even if not all the way to the maximum level possible with global free trade). Economists argue that if a nation had relatively low import barriers to begin with, the trade expansion benefit will likely outweigh the trade diversion loss discussed earlier.

Third, if the number of members in the trade group is greater than two, the possibility of a globally efficient producer being a member of the group increases, lessening the global inefficiency from switching to products from less efficient producers. Therefore, economists generally prefer groupings with several members.

Fourth, even if an agreement introduces distortions, the envy of countries not part of the agreement might lead them to participate. Optimists concerning this possibility see free trade agreements as building blocks toward the eventual goal of global free trade.⁵ Or the countries left out might move to re-energize WTO negotiations (and the creation of such a movement at the WTO level was a specific goal of the U.S. government in negotiating the North America Free Trade Agreement at a time when the Uruguay Round of GATT negotiations were stalled at the beginning of the 1990s).

Finally, as the process has evolved, FTAs often include agreements on both trade in services and direct investment, two areas in which the WTO has made relatively little progress. The Uruguay Round agreement of 1994 did include a General Agreement on Trade in Services (GATS), but it is relatively weak. This chapter argues that barriers to trade and investment in the service sector have gained increased attention and importance over time.

Where does the debate stand today? It is fair to say that economics textbooks generally present a far more favorable view of FTAs than was the case twenty-five years ago when such agreements began to proliferate. The concerns raised by Jagdish Bhagwati remain, but may not be as serious as once thought. The overall level of tariffs is relatively low, even for many developing countries; so that it is more likely that trade creation will outweigh trade diversion in bilateral or regional blocs. Firms are not complaining loudly about the legal burden due to litigation over rules of origin, or about the administrative cost of tracking the relevant agreements and rules when making trade or investment decisions. Finally, firms have discovered that if they are disadvantaged by the creation of a free trade area to which their home government does not belong, they always have the option of locating a factory within the area, thereby benefiting from the lack of barriers within the region. This option may still mean a distortion in the global location of production facilities relative to a world of no barriers, but it is likely that this efficiency loss is relatively modest.

Why does this discussion of the theoretical argument about free trade and global versus bilateral or regional agreements matter? American officials were initially skeptical of free trade areas, but attitudes have shifted over time, especially with the disappointment in making progress with the current Doha Round of WTO negotiations. Ideas and theories do matter, and in this case the theoretical ground about how to proceed with lowering or eliminating trade and investment barriers around the world has shifted over the past several decades.

THE STRATEGIC CONTEXT AND THE EVOLUTION OF APEC

Since the end of World War II, the United States has regarded itself as having strong strategic interests in East Asia. The Communist victory in the Chinese civil war in 1949, plus the Korean War, helped to create the belief that East Asia was a crucial battleground in the Cold War, especially as Southeast Asian nations were emerging from colonial rule. The story of failure to establish a regional counterpart to the North Atlantic Treaty Organization in Asia is well known. With the failure of the Southeast Asia Treaty Organization (SEATO), the U.S. government opted for a hub- and-spoke strategy of bilateral security agreements. This strategic posture matters for trade and other economic policy as well.

Since the late 1960s, various Asian governments (and particularly Japan and Australia) were interested in building a trans-Pacific regional economic organization to discuss trade and other business and economic issues.⁶ The U.S. government initially resisted this idea. The original proposal for an organization resembling the eventual Asia Pacific Economic Cooperation (APEC) group was presented as a report to the U.S. Congress in 1978, but elicited no interest in Washington. As a partial step toward an official organization, the Pacific Economic Cooperation Council (PECC) was established in 1980, a group in which some government officials, including from the U.S. government participated unofficially in their private capacity.⁷

Why was the U.S. government reluctant to participate in a trans-Pacific organization? One factor was the strategic context. The U.S. government was used to dealing with East Asia on all issues in the bilateral framework that had come to dominate strategic policy toward the region. Why should the U.S. government endorse a regional body, even if it was to be ostensibly for economic discussions, which might interfere in the carefully crafted hub-and-spoke strategic approach to the region? In addition, the U.S. government at that time had deep misgivings about any regional organization that might end up including participants from the other side of the cold war divide (i.e. China, Vietnam, or Laos). Finally, economic officials in American administrations remained firmly committed to a global approach on major trade and investment policies.

When APEC finally emerged, it was the initiative of Australia, with quiet prodding by the Japanese government. With two regional allies making the request for participation, the U.S. government reluctantly agreed to participate. But soon the U.S. position on regionalism and APEC changed, for four important reasons.

First, Prime Minister Mahathir of Malaysia began to speak of forming an East Asian Economic Caucus (EAEC), a grouping that would include the ASEAN countries plus Japan, China, and Korea (but not Australia or New Zealand). His rhetoric was explicitly anti-Western and racist (hence the Australia and New Zealand exclusion), which worried the U.S. government. The U.S. Secretary of State when this idea was first proposed, James Baker, responded by declaring that it would be imprudent for Asian nations to draw a line down the middle of the Pacific to exclude the United States. A regional economic organization in Asia excluding the United States would cause American firms to suffer from trade diversion (especially losing out to their Japanese rivals) and potentially jeopardize American strategic involvement in the region. Therefore, for strategic reasons it now behooved the U.S. government to promote APEC as the appropriate regional organization in order to stymie the creation of the EAEC. If the region was to form new institutions anyway, the trans-Pacific format was better from the U.S. strategic standpoint than the East Asian alternative.

Second, in the late 1980s and early 1990s, the U.S. government remained wary of the regional aims of Japan. Mahathir's EAEC would, in this view, provide an organization in which Japan could wield power to the detriment of American firms, especially if the outcome were a regional free trade bloc. To be sure, Japan was an ally of the United States, but it was also viewed as economic rival. The Japanese government had been somewhat more active at that period of time in indicating dissatisfaction with American trade policy and in expressing interest in a stronger relationship with Asia as an alternative to close economic ties with the United States. This tilt to Asia was somewhat contradictory to the Japanese efforts to bring about the creation of APEC in the 1970s and 1980s, but reflected the growing disenchantment with American trade policy (either attempting to limit Japanese exports to the United States, or to open Japanese markets to imports) by the early 1990s. Since Japan was a key American strategic ally, it served American strategic interests to keep Japan engaged with APEC rather than drifting toward a new EAEC, a drift that could undermine the alliance.

Third, the overarching strategic preference for a hub-and-spoke approach to the region in a Cold War context was turned on its head in the economic sphere. That is, APEC presented the opportunity to get China and Taiwan into the same regional organization (accomplished in 1992). This accomplishment enabled the beginnings of a more productive relationship between the two governments, at least in the realm of trade and economics, and thereby potentially reducing the possibility of armed conflict.

Fourth, several years after APEC was formed as a ministerial-level meeting, a new president, Bill Clinton, with little foreign policy experience saw an opportunity shortly after coming into office to show his positive personal engagement with the world by adding a leaders' meeting to APEC (enabled by the fact that the United States was hosting the meeting in 1993). Making APEC more visible also created an imperative to show that APEC was actually a useful organization.

The effort to make APEC a vehicle for significant reduction in trade and investment barriers, though, soon bogged down. A 1996 APEC agreement eliminated tariffs on information technology products (the Information Technology Agreement, ITA), which was then adopted by many WTO members. But an attempt to do something similar the following year in nine different product areas, the Early Voluntary Sectoral Liberalization (EVSL) failed, largely because of Japanese opposition to inclusion of some agricultural fishery products. That failure signaled the end of American enthusiasm for APEC as an organization to create a more open region. To be sure, APEC has continued a modest agenda aimed at greater openness, but "modest" is the operative term.

The EVSL failure might have led to renewed concern that the Asian members of APEC would proceed to construct a regional trade bloc, as had been feared by the U.S. government in the late 1980s. In fact, at the same time that the EVSL went down to defeat, the EAEC came into existence in the form of the ASEAN+3 group. But the disappointment with APEC appears to have led to a conclusion by U.S. government officials that the Asian governments would be no more successful in an ASEAN+3 setting to achieve a robust open trade and investment area than had APEC. The lack of American official concern was borne out by subsequent developments, since ASEAN+3 has accomplished little more than APEC. From the late 1990s, therefore, the U.S. government ceased its trans-Pacific versus East Asia strategic concern for institutional settings.

For much of the first decade of the 2000s, the U.S. government nudged APEC toward a more strategic focus, using it as a venue to urge East Asian governments to pursue various anti-terrorism initiatives. The region-wide trade agenda with East Asia languished with APEC. Bilaterally, the activism in dealing with Japan faded by the late 1990s, and few substantive negotiations to further open Japanese markets occurred. At the global level, the U.S. government pushed for the start of the Doha Round of WTO negotiations, but then failed to bring those negotiations to a conclusion. Instead, the U.S. government continued to pursue bilateral and regional free trade agreements. Table 1 provides a complete list of the twenty agreements successfully negotiated as of the end of 2011.

Table 1. U.S. Free Trade Agreements	
Country	Year Implemented
Australia	2005
Bahrain	2006
Canada**	1994
Chile	2004
Colombia*	2011
Costa Rica***	2004
Dominican Republic***	2004
El Salvador***	2004
Guatemala***	2005
Honduras***	2005
Israel	1985
Jordan	1996
Korea*	2011
Mexico**	1994
Morocco	2004
Nicaragua	2005
Panama*	2011
Peru	2006
Singapore	2004
Notes: *Ratified by Congress but not implemented. **Originally a bilateral agreement with Canada in 1987, incorporated into NAFTA (with Mexico) in 1994. ***These countries are members of the regional Central American Free Trade Agreement (CAFTA). Source: Office of the United States Trade Representative, "Free Trade Agreements," http://www.ustr.gov/trade-agreements/free-trade-agreements (January 15, 2012).	

This table indicates that the U.S. government did maintain an agenda of pursuing bilateral and regional agreements even as the global Doha Round negotiation in the WTO remained uncompleted and APEC proved disappointing as a vehicle for negotiating open trade. Note that the United States had created trade agreements with a number of individual APEC members by 2011 (Australia, Canada, Chile, Korea, Mexico, and Singapore).

Efforts to push forward on bilateral and regional agreements might have been more vigorous over the past decade without the 9/11 attack and the subsequent preoccupation of American foreign policy with the war on terrorism, and specifically the invasions of Afghanistan and Iraq. The head of USTR in 2001, Robert Zoellick, pushed for the start of the Doha Round in the fall of 2001 by casting it into the framework of the war on terror. That is, terrorism may be fostered by poverty and envy. Economists (like Zoellick) believe that open trade and investment fosters economic growth, providing the mechanism to reduce poverty and disparities between rich and poor countries. However, this line of argument did not become a major element in the administration's

rhetoric or policy during the war on terrorism. President Bush, for example, did not press other leaders for a successful conclusion to the Doha Round negotiations nor did he include references to Doha very often in public statements.

The Obama administration did not develop any clear trade agenda in its first two years in office—even getting the already negotiated bilateral agreements with Korea, Colombia, and Panama submitted to Congress was delayed until 2011. The global recession and the negative political image of losing jobs (by lowering trade barriers at home as the price for getting other nations to lower their barriers), combined with the importance of union support for the Democratic Party makes the reluctance to pursue an activist trade policy understandable. Nor did the administration have an overarching policy toward East Asia. Like the Bush administration before it, much of the foreign policy energy was absorbed by Iraq and Afghanistan. Relations with Japan, Korea, and China were governed more by reactions to specific events without an overall agenda.

By 2011 the Obama administration was ready to focus on Asia. With troops withdrawn from Iraq and the beginning of the endgame in Afghanistan, the administration could refocus on East Asia, a shift in the fall of 2011 dubbed the “pivot.”⁸ Concerns about China provided a major motivation for the strategic policy pivot. China continued to grow rapidly (making it increasingly important to the United States economically). But a series of incidents, such as the ramming of a Japanese coast guard ship by a Chinese fishing vessel in the fall of 2010 (and subsequent angry pressure on Japan when the captain was detained in a Japanese jail), the embargo that same fall on exports of rare earth metals for which China is the major world supplier, and China’s unhelpful stance at the United Nations Security Council on developments in the Middle East during 2011 all indicated that policy toward China and East Asia needed more attention.

The Obama administration’s embrace of TPP, therefore, should be seen in light of this strategic policy history. The reinvigorated strategic approach to East Asia in 2011 provided a renewed opportunity to include economic policy as part of overall policy, much as earlier economic policy toward the region was influenced by strategic concerns. Unlike the 1980s, the economic concerns had shifted largely from Japan to China. How and why TPP specifically fit the new strategic focus on East Asia in 2011 is considered later in this chapter.

SERVICES TRADE

One of the most significant developments in international trade over the past half-century has been the rise of international trade in services. Furthermore, trade in services is generally more closely linked to foreign direct investment than is the case for merchandise trade, since the provision of many services requires a physical presence in the market where the service is offered. The original GATT agreement concerned only merchandise trade. Creation of the WTO in 1994 brought with it a first step toward inclusion of services, in the form of the Agreement on Trade in Services. That agreement remains limited in scope and applicability to many

specific service sector issues. Nor does the WTO address issues related to foreign direct investment. As services trade has expanded, therefore, bilateral and regional free trade negotiations have provided a vehicle for pursuing these increasingly significant issues that have been largely unanswered in the WTO.

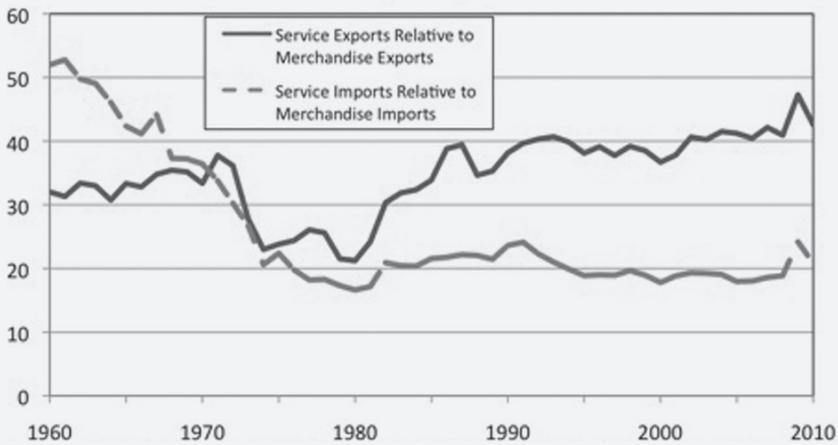
Service sector trade is of particular interest for the United States, for three important reasons. First, like all advanced countries the structure of the economy has shifted away from manufacturing toward services. Second, like the world in general, services trade has become relatively more important for the United States over time. Third, unlike merchandise trade, the United States maintains a surplus in trade in services. Assuming that surplus to represent an American comparative advantage in services (relative to manufactures), it is understandable that the U.S. government would have a particular enthusiasm for reducing barriers to services imports in other countries (much like the enthusiasm the U.S. government had in the earlier post-World War II era when the United States had a surplus in merchandise trade and pressed for global reductions in tariffs).

Using World Bank data, manufacturing was 23% of GDP in the United States in 1981, falling to only 13% by 2010. Services, on the other hand, were already 63% of GDP in 1981, rising to 78% by 2010.⁹ The shift in employment over a longer time period is even more dramatic. In 1950, the share of total employment in manufacturing was 32% while services were 42%; by 2010 manufacturing was down to 11% while services were up to 68%.¹⁰ With the rise of services as a share of both output and employment over time, and with an overwhelming share of jobs and output in the service sector, it should be no surprise that issues related to that sector would draw more attention from government.

Decades ago, economists thought of international trade predominantly in terms of merchandise trade. Most services, the thinking went, must be consumed where they are created, limiting possibilities for international trade (as in the case of the ever popular introductory economics course example of haircuts). However, an increasing array of services has been traded over the years, ranging from architectural, legal, and accounting services to showings of Hollywood films (which generate royalty payments that are counted in the balance of payments data as part of services trade). But it is true that some services must be delivered where they are created. The increasingly international nature of activity in those industries shows up more in increased foreign direct investment.

Figure 1 shows U.S. services trade relative to the size of U.S. trade in merchandise. Services exports were just over 30% of the size of U.S. merchandise exports in 1960, expanding to over 40% by 2010 (after a decline in the ratio during the 1970s). Although this increased relative size of services exports is not a dramatic change, it is certainly sufficient to explain why services have claimed more attention on the part of trade negotiators. Figure 1 also indicates that the rising relative importance of services trade applies only to American exports; measured as a percentage of the size of merchandise imports, services have declined over the past half-century. From a large 50% in 1960, services imports were only 20% the size of merchandise imports by 2010.

Figure 1. U.S. Services Trade Relative to the Size of Trade in Manufactured Goods (as a %)

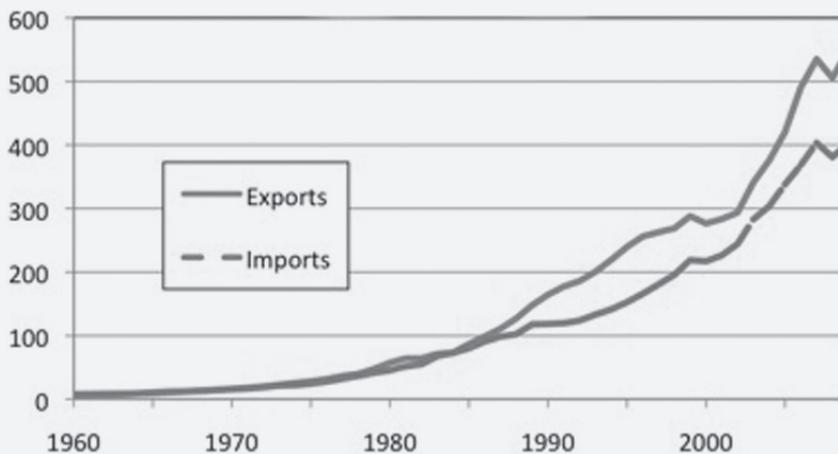


Source: Bureau of Economic Analysis, United States Department of Commerce, "U.S. International Transactions, 1960-present," <http://www.bea.gov/international/index.htm> (January 22, 2012).

Figure 2 shows the trend in the dollar value of services exports and imports. As might be expected given the opposite movements for exports and imports in figure one, figure 2 shows a rising trade surplus of the United States on trade in services. Beginning in the 1980s, the U.S. surplus on trade and services reached \$146 billion by 2010. Although this surplus was far smaller than the U.S. deficit in merchandise trade (\$646 billion), the surplus is large enough to attract attention as a partial offset to the deficit on merchandise.

Similar trends are evident in American direct investment abroad. Direct investments (FDI) are those in which the investor has managerial control of the asset. That is,

Figure 2. U.S. Trade in Services (in US\$ billions)

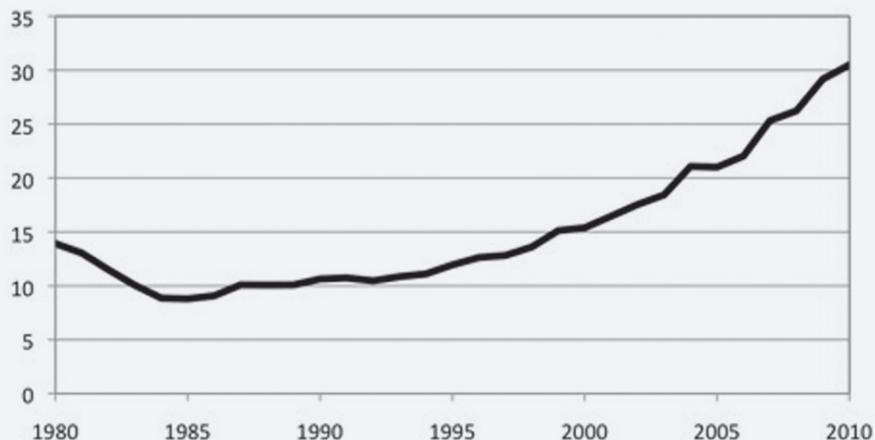


Source: Bureau of Economic Analysis, United States Department of Commerce, "U.S. International Transactions, 1960-present," <http://www.bea.gov/international/index.htm> (January 22, 2012).

FDI represents partial or complete ownership and effective control of corporations in other countries. They can include partial or complete purchases of existing firms, or creation of new joint ventures or wholly owned firms. Figure 3 shows what has happened to the stock of FDI owned by Americans, expressed as a share of GDP.

From the mid 1980s, the stock of FDI owned by Americans has risen sharply as a share of GDP, from only 9% in 1985 to 30% by 2010. Some of that investment is in manufacturing, but the majority of American direct investment abroad is in services. In 2000, 22% of the stock of American direct investment abroad was in manufacturing and 66% in various service industries (with the remainder in mining, construction, and agriculture). Just ten years later, only 14% was in manufacturing and 80% in services. Some of the international “trade,” in services, therefore,

Figure 3. Stock of Foreign Direct Investments Held Abroad by Americans as a Share of GDP (as a %)



Source: Bureau of Economic Analysis, U.S. Department of Commerce, “International Investment Position, Yearend position, 1976-2010,” <http://www.bea.gov/international/index.htm#iip> (January 22, 2012).

shows up as repatriated earnings from service-sector direct investments abroad rather than through actual cross-border trade. These data on trade and investment provide a clear picture of the rising importance of international engagement of American firms in exporting services or selling them locally abroad.

The international issue for these industries is not tariffs, as in the case of manufactures, but regulations governing entry and competitive behavior in each service industry. As noted earlier, the WTO has still made relatively little progress in working out robust agreements covering service industries. Therefore, the rising importance of services to the U.S. economy and the increasing export of those services push the U.S. government in the direction of negotiating bilateral and regional free trade agreements in which service industry issues can be included.

TPP

After more than a decade of minimal focus on APEC, drift with the Doha Round, and a preference for bilateral trade agreements, the U.S. government has now embraced the TPP negotiations. TPP fits well with the evolving U.S. global and regional strategy in the second decade of the century in several ways, reflecting the three issues discussed in this paper.

First, consider the strategic reengagement on Asia in 2011. Economic policy has always been intertwined with strategic policy. Therefore, TPP represented one possible way to bring economic relations with the region into the newly reenergized strategic approach to East Asia.

Second, and related to the first point, the decade-long single-minded absorption with military engagement in foreign policy faded, opening the way for trade and investment issues to gain a greater standing in the hierarchy of foreign policy issues to be pursued with East Asia. To be sure, the huge global macroeconomic/financial problems accompanying the global recession of 2008-2009 absorbed considerable government attention, but trade and investment issues did not, and the international policy dialogue related to the global recession implied little involvement for East Asia (other than the dispute over the exchange rate with China). Therefore, as the wars wound down, it was easier for the U.S. government to reengage on regional trade and investment issues. Perhaps the first evidence of that reengagement was the effort by the Obama administration to submit to Congress (successfully) bilateral trade agreements with Korea, Peru, and Panama. Those agreements were actually left over from the Bush administration (with some additional tweaking by the Obama administration). In terms of new engagement at the regional level, though, joining the TPP negotiations was a convenient vehicle for reengagement.

One probable reason for the embrace of TPP specifically was the fact that the concept of a Free Trade Area of the Asia-Pacific (FTAAP) had been discussed in Washington for several years. C. Fred Bergsten, the respected founder and head of the Peterson Institute for International Economics (a major think tank in Washington), was vigorously pushing the concept of the FTAAP.¹¹ Bergsten had been a voice for using APEC for this purpose in the mid-1990s when that organization had been the focus of American trade policy toward the region. Bergsten did not take a position in the Obama administration, but his presence in the city, contacts, and convocation of meetings on trade issues gave him a considerable role in shaping discussion of trade policy ideas. TPP is not the FTAAP, since it includes only a subset of the governments that belong to PAEC. Nonetheless, it represented a start in that direction if one believes in the notion of building blocks. The chapter by Peter Petri specifically considers the possibility of a movement toward an FTAAP driven by TPP and other sub-regional agreements. To the extent, therefore, that the concept of FTAAP was in play in Washington policy discussions, joining the group of countries already engaged in the TPP process was a rather logical step to take.

Third, TPP fit well into the increased importance of dealing with China as part of the strategic engagement with East Asia. The Obama administration is adamant that the TPP negotiations are not an attempt to isolate or surround China, and they may be correct. Perhaps it is better to see TPP as a response to Chinese interest in either an ASEAN+3 or China-Japan-Korea free trade area. Either of those combinations involves both the straightforward trade diversion losses that would negatively affect American firms, and a strategic gain for China in the region (pulling other East Asian nations closer to itself). Neither outcome is in American economic or strategic interests. Therefore, TPP can be viewed as a defensive move to counter rising Chinese influence in the region. In the world of proliferating FTAs, the U.S. government cannot stop East Asian governments from forming agreements among themselves (and China already has an FTA with the ASEAN nations as a whole), but creating an additional trade group that includes the United States sends a signal of U.S. engagement in the region to counter the rising influence of China.

Furthermore, despite administration protestations, there can be no doubt that TPP provides a convenient pressure point on China. U.S. entry into the TPP negotiations came at a time when it was convenient for the U.S. government to show some displeasure toward China, due to the increasingly nationalistic and aggressive nature of Chinese policies at home and abroad noted earlier.

Fourth, in the context of reengagement on trade and investment issues, the U.S. government was confronted with the continuing stalemate on the Doha Round. Begun in late 2001, those negotiations are now in their second decade. The dismal record of inability to bring these negotiations to a close increased the attractiveness of regional and bilateral approaches to trade and investment from the perspective of the U.S. government. The alternative analysis would be that governments have become so enamored of regional and bilateral agreements that the energy was sucked out of the Doha Round negotiations. Given the generally tepid approach of the U.S. government to all trade negotiations in the past decade, this alternative interpretation of global versus regional approaches does not seem correct.

Fifth, TPP includes the advantage of multiple participants in the Asia-Pacific region. As noted earlier, economists believe that regional free trade areas are more likely to produce benefits that outweigh the trade diversion liability of this approach. More important, TPP allows a regional approach that avoids the problems upon which APEC stumbled in the late 1990s. APEC provided the Obama administration with a venue at which to push the idea of TPP, but the negotiation itself is not an APEC initiative.¹² That is, TPP is simply a coalition of the willing (or supposedly willing). Those APEC member countries that are either disinterested in participating, or are not encouraged to participate (like China) can remain outside the negotiation. If those governments that are participating are serious about their commitment, the conclusion is that an agreement will be easier to reach.

Sixth, TPP fits the effort of the U.S. government to push lowering barriers to trade in services. All U.S.-negotiated bilateral and regional free trade agreements have included extensive agreements on trade and investment issues related to services. TPP will be no exception.

Seventh and finally, TPP has somewhat accidentally become a vehicle for the Obama administration to engage Japan. Possible inclusion of Japan in the TPP negotiations arose when the prime minister of Japan expressed interest in participating (originally suggested by Prime Minister Kan Naoto, but then pushed formally by Prime Minister Noda Yoshihiko). Even though the Obama administration has officially welcomed Japan's decision to seek admission to the negotiations, the reality is that Japan's involvement remains somewhat problematical. Japan expressed interest in a bilateral free trade agreement with the United States in the late 1980s, but ever since that time, the U.S. government has been reluctant to pursue such a negotiation with Japan out of concern that the Japanese government is not ready to open up as much as would be necessary to create a successful agreement. Those concerns arose out of the years of difficult negotiations on a myriad of different trade issues related to opening Japanese markets from the 1960s to the mid-1990s. TPP, therefore, represents the first time in fifteen years that the United States would have to confront the problem of Japanese trade barriers and the reluctance of the Japanese government to take major steps to reduce them. Parts of agriculture (principally rice) are the most obvious examples of remaining barriers, but a variety of service industries (ranging from finance to provision of healthcare) and manufactured products also retain significant import barriers. Much depends, therefore, on the attitude of the U.S. government on the question of trade negotiations. If the decision is that after a virtual hiatus of fifteen years the time has come to once again deal with Japan's trade barriers, TPP offers a useful format to do so. The presence of other governments in the negotiation to mount pressure on Japan to make substantial offers in the negotiations helps to take some of the burden off the U.S. government. Furthermore, should negotiations with Japan in the context of TPP be successful, the economic importance of TPP would be greatly enhanced by the inclusion of two rather than just one large country. Japan's presence would also enhance the strategic importance of TPP, since Japan would be the big participant other than China in either an ASEAN+3 or China-Japan-Korea trade group.

CONCLUSION

Three decades ago, American trade policy was firmly rooted in a global approach centered on the GATT. Somewhat reluctantly, American policy shifted, as did that of most other countries around the world. While the Doha Round continues to be stalemated, the U.S. government has negotiated a number of bilateral and regional agreements. TPP now provides an opportunity to continue in that direction. This chapter has argued that TPP fits logically into the evolution of American foreign policy way in several ways.

First, the initial opposition to bilateral and regional agreements due to the dominance of theoretical support for the most-favored-nation principle of the GATT faded over time. For more than two decades, the U.S. government has pursued bilateral and regional free trade agreements. TPP is simply the latest initiative in this approach, especially given the continued stalemate on the WTO's Doha Round of global negotiations.

Second, TPP fits in the evolution of American strategic policy toward East Asia. Since the late 1980s, the U.S. government has embraced economic policy engagement with East Asia as a means of fending off narrower East Asian-only groupings that would be detrimental to American strategic and economic interests in the region. Initially the concern was a grouping that would include Japan, since Japanese firms were major global competitors to American firms. Japan pulling away from the United States economically to join an East Asia group would have been detrimental to American interests. Concern over Japan has faded, only to be replaced by concerns over China. Given both Chinese moves to pull the region toward itself economically through possible new regional or sub-regional trade blocs, plus China's more aggressive foreign policy stance in the region, TPP provides an opportunity to strengthen American involvement in East Asia.

Third, pursuit of trade negotiations (bilateral or regional) with East Asian partners fits with the strengthening resolve to address access issues affecting internationally competitive American service-sector industries. Given the global competitiveness of these firms, TPP would provide an opportunity for them to become more deeply embedded in East Asian markets, mainly through direct investment. That deepening has both economic benefits—for American firms and the economies of the host countries—and the strategic impact of increasing the visible presence of linkages to the United States.

For all these reasons, the U.S. government is likely to pursue the TPP negotiations with considerable effort. Whether TPP will serve as a stepping-stone toward an FTAAP, or simply a counter to either ASEAN+3 or China-Korea-Japan, a successful conclusion to the TPP negotiations would bring economic and strategic benefits.

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South Korea: Which Way Will it Go on Asian Integration?

HYUNG-GON JEONG

Since 1990, Regional Trade Agreements (RTAs), including Free Trade Agreements (FTAs) and Customs Unions, have spread rapidly on the basis of the WTO system that was launched in 1995; 224 FTAs were reported to GATT/WTO by late 2011, many of them in Asia.¹ Korea, China and Japan have already signed FTAs with ASEAN and individual ASEAN countries. The positive attitude of East Asian countries toward FTAs has contributed to trade liberalization in the East Asia region, and discussions surrounding ASEAN are becoming more active. Integration, however, is difficult to achieve due to the clash between China and Japan, the former hoping to pursue an East Asian FTA (EAFTA) within the ASEAN+3 (China, Japan, South Korea) framework; while the latter prefers a Comprehensive Economic Partnership in East Asia (CEPEA) within the ASEAN+6 (India, Australia, New Zealand) framework. Discussions entered a new phase as Japan, which has favored ASEAN+6, expressed its willingness to participate in TPP (Trans-Pacific Strategic Economic Partnership Agreement) at the APEC Summit in November 2011.

TPP was first launched by Chile, New Zealand, Singapore, and Brunei (Pacific 4 or P4) and has become one of the leading economic integration systems in the Asia-Pacific; the United States, Australia, Malaysia, Peru, and Vietnam are participating in the negotiations, while Japan, Canada, and Mexico have declared their interest. After President Obama's suggestion that South Korea and Malaysia join TPP, their responses are awaited. These recent trends may have a great impact on the future of East Asian economic integration. China, which has been supportive of ASEAN+3, is already shifting toward integration through ASEAN+6, as suggested by Japan. These changes in the trade environment will have significant influence on the future of the South Korean economy. Under the assumption that CEPEA of ASEAN+6 and TPP centered on the United States will clash, this chapter analyzes the effects the two systems would have on the Korean economy, and assesses which would be more desirable.

THE CURRENT STATUS OF ECONOMIC INTEGRATION IN THE EAST ASIAN AND ASIA-PACIFIC REGIONS

This chapter first compares the main economic indicators of CEPEA and TPP. In the analysis, TPP includes the P4, the five countries in negotiations (Australia, Malaysia, Peru, U.S., and Vietnam), those who expressed an interest in participating at the APEC summit in Hawaii (Canada, Mexico, and Japan), and lastly, South Korea. As shown in Table 1, ASEAN+6 accounts for 49% of the world population, which is considerably larger than the 12.1% in TPP. Yet, it only accounts for 27.4% of the world economy, which is much lower than the 41.2% of TPP. In world trade, it comprises 27.8%, while TPP has 29.3%.

Figure 1 shows intraregional trade shares of ASEAN+3, ASEAN+6 and TPP. The intraregional trade of ASEAN+3 and ASEAN+6 are steadily increasing. The figure for ASEAN+6 was 33% in 1990, but increased to 45.1% in 2010. The percentage of intraregional trade between TPP countries, however, dropped sharply from 54.7% in 1990 to 44.4% in 2010, yielding a lower trade share for those countries.

Figure 2 examines South Korea’s export share to each bloc. It continues to rise to ASEAN+3 and +6. In the early 1990s, its export share was 56.2% to TPP countries and 28.4% to ASEAN+6; however, in 2003 its exports to ASEAN+6 exceeded exports to TPP. In 2010, exports to ASEAN+6 reached 48.8%, while exports to TPP decreased dramatically to 28.4%.

Imports from ASEAN+6 were 36.3% of its total in 1990, which rose steadily to 52.4% in 2010, while imports from TPP dropped from 58.4% in 1990 to 37.6% in 2010. In comprehensive terms, trade between South Korea and ASEAN+6 increased from 32.5% in 1990 to 50.5% in 2010; on the other hand, trade between South Korea and TPP showed a sharp decrease from 57.4% in 1990 to 32.7% in 2010.

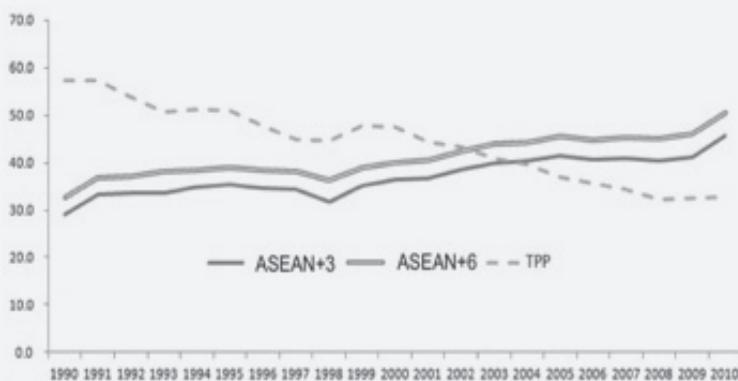
Table 1. Economic Indicators of Major Economic Blocs in the Asia-Pacific Region (2010)

Economic Blocs	States		Population (Million)	Economic Scale (GDP) (Billion)	GDP per capita	Total Trade (Billion)
ASEAN+3	CJK	S. Korea	49	1,014	20,756	857
		Japan	1,341	5,878	4,382	2,974
		China	128	5,459	42,783	1,466
		Sub Total	1,518 (22.3%)	12,351 (19.6%)	8,136	5,297 (17.5%)
	ASEAN	Brunei	0	12	29,675	11
		Cambodia	14	12	814	14
		Indonesia	238	707	2,974	293
		Lao DPR	6	6	1,004	6
		Malaysia	28	238	8,423	416
		Myanmar	61	45	742	16
		Philippines	94	200	2,123	131
		Singapore	5	223	43,117	665
		Thailand	64	319	4,992	380
		Vietnam	88	104	1,174	164
Sub Total	598 (8.79%)	1,866 (2.97%)	3,120	2,096 (6.91%)		
Total		2,117 (31.1%)	14,217 (22.6%)	6,714	7,394 (24.4%)	
ASEAN+6	India		1,191	1,632	1,371	550
	Australia		22	1,237	55,672	426
	New Zealand		4	141	32,163	62
	ASEAN+3		2,117	14,217	6,714	7,394
	Total		3,335 (49.0%)	17,227 (27.4%)	5,166	8,432 (27.8%)

TPP	Brunei	0	12	29,675	11
	Chile	17	203	11,827	127
	New Zealand	4	141	32,163	62
	Singapore	5	223	43,117	665
	Australia	22	1,237	55,672	426
	Malaysia	28	238	8,423	364
	Peru	30	154	5,205	61
	USA	310	14,527	46,860	3,246
	Vietnam	88	104	1,174	153
	Canada*	34	1,577	46,303	817
	Japan*	128	5,459	42,783	1,466
	Mexico*	109	1,034	9,522	630
	S. Korea*	49	1,014	20,756	857
	Vietnam	88	104	1,174	153
	Canada*	34	1,577	46,303	817
	Japan*	128	5,459	42,783	1,466
	Mexico*	109	1,034	9,522	630
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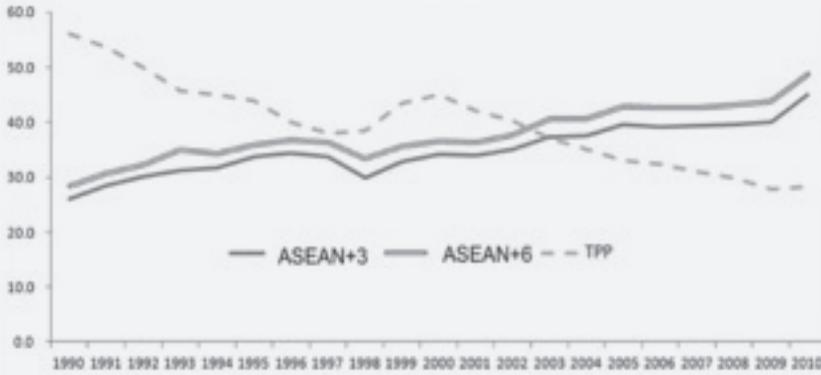
Note: 1) Numbers in parentheses indicate the percentage of the world total 2) Countries with an asterisk are prospective ones that are in negotiations for or considering TPP membership participation.
Source: IMF, World Economic Outlook [Online]; IMF, Direction of Trade Statistics.

Figure 1. Trends of Intra-regional Trade on a Regional Level



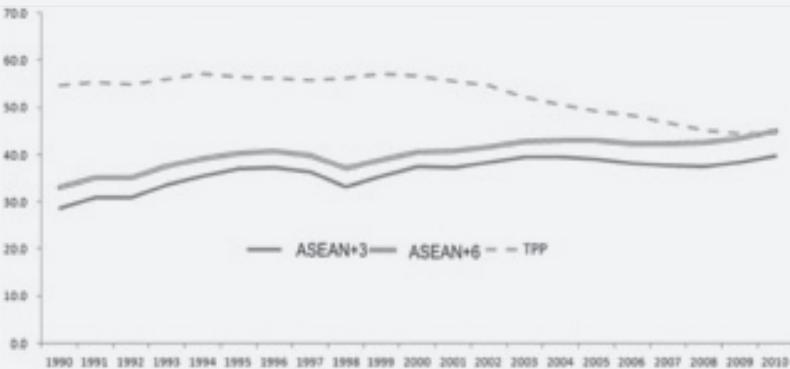
Source: IMF Direction of Trade Statistics. TPP member countries P4, five countries in negotiations (Australia, Malaysia, Peru, U.S., Vietnam), those who have expressed their willingness to participate at the APEC summit in Hawaii (Canada, Mexico, Japan), and South Korea.

Figure 2. Trends of Korea's Intra-regional Export Share



Source: IMF Direction of Trade Statistics.

Figure 3. Trends of Korea's Intra-regional Import Share



Source: IMF Direction of Trade Statistics.

SOUTH KOREA'S DECISION: ASEAN+6 VS. TPP

Comparing Macroeconomic Effects of CEPEA and TPP²

To determine which would be more beneficial for Korea, I compare TPP and ASEAN+6, estimating macroeconomic effects (real GDP growth and changes of welfare level) with the CGE model. This model incorporates interdependent individual sectors within the economy (such as production, consumption, and investment) and foreign sectors (imports and exports) and is used to estimate the ripple effects following changes in the global economic environment, such as the trade environment related to FTAs and DDAs, as well as climate change. This study uses the standard GTAP model, most commonly used of all CGE models, and the GTAP V 7.1 data. GTAP V 7.1 is based on data covering 2004; re-released in June 2010 with modified, complemented V7 content.

	Country
1	S. Korea
2	China
3	Japan
4	United States
5	EU (27 Countries)
6	ASEAN
7	India
8	Rest of the World (ROW)

Basic Assumptions of the CGE

For this analysis, countries will be classified into Korea, TPP participants or those considering participation (twelve countries), and remaining ASEAN countries, the United States, China, Japan, India, the EU, and others. Analysis proceeds under the assumption that the KORUS and Korea-EU FTAs have taken effect.

For convenience and reliable results, industries are classified into 1) rice, 2) grains, 3) other agricultural products, 4) manufacturing and 5) services. Due to its sensitivity, rice has been exempt from concessions in all signed FTAs; therefore it is classified separately from grains. In grain imports, Korea applies quota tariffs and, when necessary, adjusts the volume of market access, so the actual tariff rate may be lower than what is indicated on the GTAP data. Everything considered, the range of tariff reductions is assumed to be around half the product. Because this analysis shows macroeconomic effects and analyzes various forms of FTA, simplified industrial classification is applied. KORUS and Korea-EU FTAs are assumed to be in effect, while FTAs signed with countries directly involved in TPP and ASEAN+6 are assumed to be newly upgraded as agreements come into effect. Commodity markets are assumed to be open-ended; however, the rice market of Korea and Japan is assumed to be closed. Service Tariff Equivalent has not been considered. Production input has been divided into five categories: land, low-skilled labor, skilled labor, capital, and natural resources. Classification of inputs complies with default configuration given by the data. While land is not transferable and natural resources also have transfer limitations, low-skilled and skilled labor, and capital have been set to move freely between industries. Factors of production can move between industries, so changes in domestic production in accordance with tariff reductions are possible. However, the GTAP model does not assume that factors of production are transferable between countries; therefore, movement of labor and resources between countries cannot be considered.

The East Asia FTA and TPP in this CGE analysis assume the model of capital accumulation. The capital accumulation model supposes that the short-term economic gain from an FTA draws investment and savings, leading to additional accumulation of capital that works as one of the main production factors, and is mostly used to analyze economic expansion effects from the FTA. It is highly

possible that an East Asian FTA will be pursued not simultaneously, but in a step-by-step process based on a long-term perspective, so it is advisable to use the capital accumulation model, rather than the static model, for analyzing mid to long-term effects. Furthermore, considering that the static model only takes the increase of domestic production from tariff reduction into account, it is likely that the possibility of varying ripple effects depending on various industries will be overlooked. In some industries, the effects of tariff reductions are quick, making capital accumulation possible as soon as the FTA enters into force; on the other hand, other industries may not even register any effects of tariff reductions. Therefore, short-term effects will only reveal limited significance. Also, because the economic effects of an FTA reinforce the fact that reinvestment leads to activation of industries, the capital accumulation model is deemed more reasonable compared to the static model.

Table 3. Economic Integration Perspectives		
Scenarios	Details	
East Asian FTA ASEAN+CJK+India, Australia, New Zealand	Refer to KORUS (Korea-USA) FTA	100% import tariff elimination
TPP (13 States)	Refer to KORUS (Korea-USA) FTA	100% import tariff elimination
<small>Note: The rice market has been exempt from tariff cuts. Korea's grain tariffs for China and Australia, the agricultural tariffs of the Korea-India CEPA, etc. have been considered.</small>		

Table 4 compares the expected economic effects depending on whether Korea signs an FTA with ASEAN+6 or TPP countries. It can expect 2.69% in actual GDP growth when an FTA is signed with ASEAN+6, while expecting 1.44% in actual GDP growth when signing with TPP countries. Moreover, in welfare changes, Korea can expect a profit of \$16.571 billion, while in the case of TPP, Korea can expect \$7.787 billion. In conclusion, the economic effects of ASEAN+6 are larger than that of TPP from Korea's perspective because trade liberalization with China, one of Korea's largest trade partners, has been considered. It is necessary to compare the relative size of expected FTA effects, rather than the effects driven by FTA, and to observe the direction of economic effects. Furthermore, the absolute value of figures resulting from this analysis may be prone to change, due to the gap between model assumptions and actual negotiations.

The CGE model may not reflect qualitative changes due to shifts in the trade environment and the effects of non-tariff barriers because it is centered on changes in tariffs, domestic production, exports and imports, and other quantitative changes. Because this CGE model utilizes the GTAP DB Version 7.1, it is unable to reflect the changes in East Asian and global trade environments after

Reference to KORUS & Korea-EU FTA	100% import tariff elimination	
	Impacts (%) on Real GDP	Changes in Welfare
		(100 Million US\$)
ASEAN + 6	2.69	165.71
TPP	1.44	77.87

Note: The effects of FTA signed by Korea, China, and Japan with ASEAN individually have not been taken into account.

2004. Although GTAP DB 7.1 has been released with partial modifications made on GTAP DB Version 7, it still relies on data from 2004; therefore countries like China that have continuously registered high economic growth exceeding 10% annually have not been taken into account, nor does it show the effects of the 2008 financial crisis.

CAN TPP BECOME A HIGH STANDARD FTA THAT LEADS THE GLOBAL ECONOMY?

Although the GDP size of TPP member countries is greater than that of ASEAN+6, TPP's reliance on regional trade shows a downward trend, while ASEAN+3 and +6 show a stable increase. ASEAN+6's reliance on regional trade is higher than that between TPP members. Mutual trade between East Asian countries is higher than trade with countries outside the region. Even in the case of Korea, exports and imports to and from ASEAN+3 and ASEAN+6 continue to increase; however, trade with TPP member countries is in continuous decline. Furthermore, the expected economic effects from ASEAN+6 are larger in the CGE model analysis. Pursuing cooperation with ASEAN+6 seems to be more desirable. However, if TPP is signed on a higher level than the present KORUS FTA, and is concluded as a high standard FTA that will lead the global economy, than Korea must consider TPP participation. Thus, the following sections examine if TPP can pursue the trade liberalization process left unfinished at APEC, conclude a high standard FTA, and lead to new global economic norms.

Countries are adopting a quantitative approach in measuring the level of trade liberalization, deeming that more than 90% of the total trade share between countries sharing an FTA needs to be open, in order for it to be considered trade liberalization. If so, have the P4—who are the founding members of TPP—opened more than 90%; has their agreement reached a higher level of trade liberalization than bilateral FTAs signed with other countries regarding tariff and non-tariff barriers and the service sector; and does their agreement show higher standards compared to the U.S.-led negotiations with P4+?

P4 countries have been more positive towards opening their markets than they were when they each signed bilateral FTAs as individual countries. Some scholars argue that because Singapore, Brunei, and New Zealand took an active open-door policy even before P4 negotiations, in reality, economic gains acquired through participation in P4 were not great. This argument makes sense, considering that Singapore had already abolished tariffs on most of its imports; that Brunei, as a small

country, imports little and depends on Singapore for most of its imports; and that New Zealand had already achieved a high level of trade liberalization even before joining P4. However, Chile was able to achieve market opening. For example, in its FTA with Canada and Australia, Chile excluded dairy products from target items; however, in the agreement with New Zealand it abolished 100% of its import tariff, regardless of the fact that New Zealand is an agriculturally advanced country. Chile has also adopted very open policies toward P4 countries with respect to reducing import tariffs. Furthermore, in the FTA with Canada (CCFTA) signed before P4, Chile only selected around 75% of total imports from Canada as customs-free items, but it liberalized imports for 89.3% of items from New Zealand and Singapore.³ In addition, at the TPP P+ negotiations with Australia, Chile agreed to import 96.9% of import items customs-free.⁴ With Canada, Chile also set fifteen years as a grace period regarding the phased tariff reduction after the FTA entered into force, while it set ten years as a transition period for New Zealand (six years for Australia).

If P4 countries are contributing more to mutual trade liberalization by lowering tariffs compared to other FTAs, are they also pursuing trade facilitation policies by eliminating non-tariff barriers? GATT Art. XXIV (b) clearly states that in order to truly liberalize trade, ORRC (Other Restrictive Regulations of Commerce) must be abolished. The P4 Agreement, Article 3.8, contains the following phrases, “in accordance with its rights and obligations under the WTO Agreement” and “in accordance with other provisions of this Agreement,” a reminder that other measures can be taken between member countries apart from trade remedy measures fixed by the WTO. Singapore, Brunei, and New Zealand have not applied any strong trade remedy measures to any trade partners, which shows that the level of openness is relatively high even in the aspect of non-tariffs. Recalling that Chile has overused these measures toward countries except for the P4, it can be said that Chile is not doing so because trade between countries is small, and has determined that even if such a system were abolished, the negative impact on the economy would not be great.⁵ In any case, the fact that trade remedy measures are applicable between member countries when FTA goes into force means that restrictive measures can be taken in future intra-P4 trade; but they may be ambivalent, knowing it might inhibit trade liberalization.

As mentioned earlier, GATS Article V implies trade liberalization regulations in service trade; however, the statement is also vague as to what is stated in the commodities sector. Only Singapore, Chile, and New Zealand out of P4 agreed to liberalize trade in services when the P4 Agreement was concluded, while Brunei agreed to submit a schedule for liberalizing the services trade to its trade partners within two years after the Agreement goes into effect. But Brunei has still not turned in the corresponding agreement, which means that P4’s FTA agreement has not achieved the rules of substantial sectoral coverage explicitly stated in GATS. It is noteworthy that the three countries, excluding Brunei, put conditions of trade in services on the “negative list,” which shows that even if they seem completely open on the surface, they are actually adopting rather strict conditions, as seen in Article 12.8. They ruled out opening up various services provided by the government, such as air transportation and financial services. In the case of Singapore, the article on services contains relatively relaxed conditions compared to

those of FTAs concluded with other nations; but it adopted rather strict regulations compared to the case of the U.S.-Singapore FTA. In its FTA negotiations with the United States, Singapore fully agreed to open financial, recreational, cultural and sports, transportation services, etc. Likewise, even in the service sector, P4 countries are showing ambivalent attitudes. It is still subject to debate whether they have achieved substantial sectoral coverage pursued by GATS.

In general, P4 takes more liberal policies compared to other FTAs, but also betrays strong protectionism in some parts due to the interests of each P4 country. However, in order to establish a new world economic order, the TPP Agreement should be a model for future FTAs, by further strengthening current trends in liberalization. TPP has expanded into an economic integration system, which contains nine countries total including the main countries of the Asia-Pacific region; the United States, Australia, Peru, Vietnam, and Malaysia; newly joining the early member states of P4. The concern is now whether the five additional countries will be able to conclude a high standard FTA that is more open than the P4 Agreement and includes the aforementioned contents. Let us look at the feasibility of TPP, by examining the main issues discussed in the TPP negotiations involving the United States, and the position of each participating country on each issue.

The Position of the United States

The United States is promoting TPP participation policies in earnest, as an alternative to the stalled discussions on the FTAAP through APEC and as a platform for the transition to FTAAP. Negotiating through twenty-four working groups, the United States aims to introduce the Platinum Standard that covers all the items above.⁶ Many of the regulations that were not able to be included in existing FTAs, such as indiscriminate elimination of tariffs on agricultural products, intellectual property rights, labor, environment, rules of origin, settlement for investor-state dispute, and articles related to competition (linked to SOEs) have been included in the TPP negotiations. One of the reasons why the United States started to take an interest in TPP is because the P4 Agreement included many of the conditions it supported during the process of negotiating FTAs. Furthermore, Chile and Australia—who have recently concluded bilateral FTAs with the United States—were participating in the TPP negotiations; so the United States wants to promote additional negotiations on issues that are sensitive, within a multilateral framework.

Out of the twenty-four items under negotiation shown in Table 5, items that are controversial include: dispute resolution, competition-related provisions, rules of origin, indiscriminate tariff abolition including agricultural products, and strengthening of intellectual property rights.⁷ Settlement of investor-state disputes refers to a system in which disputes between foreign investing companies in markets and local governments are filed at the International Court of Justice. Australia and New Zealand are reluctant to accept due to concerns about U.S. superiority in legal know-how, while the United States is opposed to an internal bilateral dispute between a company and local government settled by a third party. The competition provision is an article aiming to regulate unfair actions of state-owned companies to ensure fair competition between the public

Table 5. Twenty-Four Negotiation Items on the TPP	
Main Agendas	
Chief negotiators' meeting	
Market access (goods)	Services (Free trans-border mobility of service industries)
Market access (Fabrics/clothes)	Services (Finance)
Market access (Agricultural products)	Services (Communications)
ROOs (Rules of Origin)	Services (Free trans-border mobility of supply chains & management skills)
Additional measures for Trade Facilitation	E-commerce
Sanitary and Phytosanitary Measures	Investment
TBT (Technical Barriers to Trade)	Environment
Trade Protectionism (Safeguard, etc)	Labor issues
Government Procurement	Issues on various organizations
IPR (Intellectual Property Rights)	Dispute settlement
Fair competition-related clauses	Cooperation
Crosscutting issues	
Source: "Japan Looks to Trans-Pacific Partnership to Transform its Economy," JETRO, Feb. 2011, cited from the ministries of foreign affairs, trade, economy and industries of states participating in the TPP.	

and private sector. This is a provision that countries with a relatively large public sector, such as Malaysia, Vietnam, and Brunei, are against. It specifically targets China's future participation in TPP, and is expected to be a huge burden on China, which has many large public companies. Rules of origin is a provision causing the sharpest controversy between those that suggest consistent across-the-board rules of origin, and those that argue that the rules of origin in existing FTAs should not be invalidated. There are also concerns that goods linked to multiple countries cannot receive protection from TPP if across-the-board rules of origin were to be introduced. Indiscriminate abolition of tariffs including agricultural products is also intertwined with the interests of each country. The United States is insisting on complete abolition of tariffs on commodities by the end of 2014. Yet, the U.S. logic is unjustified because it has so far been persistent in claiming the permanence of the U.S.-AUS FTA and the U.S.-New Zealand FTA, which have helped to achieve a status quo of tariffs on American sugar and dairy products. The participation of Japan in TPP negotiations is expected to make settlement even more difficult. Due to stiff opposition from its own farmers, Japan will try

its best to protect its agricultural sector, complicating U.S.-led negotiations. On intellectual property rights, the United States is expected to seek application of the IPR article that was concluded in the KORUS FTA. The IPR provision in the KORUS FTA is an enhancement of the May 10th Agreement between former President Bush and the Democratic Party, aimed at strengthening property rights, particularly in the pharmaceutical industry.⁸ If the May 10th Agreement allows the production of generic drugs in developing countries, the new provisions prohibit it. Insertion of this provision is controversial, even in the United States, between generic drug manufacturers and pharmaceutical companies.⁹

Following are the reasons why the United States is trying to include such a wide range of items all at once. First, it wants to send a message that through an across-the-board conclusion that the TPP may have export inducement effects compared to existing FTAs, leading to a positive impact on domestic employment and income enhancement. Ron Kirk, the U.S. Trade Representative (USTR), argues that TPP “should function as a new trade system in the 21st century” that embodies high standards of providing new market approach opportunities to American workers, farmers, service providers, and small business owners. Through this the U.S. administration expects to draw out political support from small to mid-sized businesses and labor unions that have been relatively disadvantaged by existing FTAs.¹⁰ Second, the United States wishes to become the new center of the Asia-Pacific economic community through the achievement of the Platinum Standard, containing China, which is trying to achieve East Asian economic integration by excluding it through ASEAN+3 and +6, and using the expansion of TPP as a basis for negotiations with countries outside the region.¹¹ It aims to provide a reference point that is capable of inducing transformation in China’s trade and industrial structure and drawing China’s large state-owned companies into a competitive market system.¹²

American media perceptions about the U.S. government participating in TPP are not wholeheartedly positive. The U.S. auto industry is opposed to Japan’s participation in the TPP, while its meat and dairy industries show deep concern over meat and dairy products imported from agriculturally strong New Zealand. Furthermore, the media warn that fully opening the sugar industry during individual negotiations with Australia will invite strong opposition from the American sugar industry and distrust of the government. The United States tried to proceed with TPP formation through bilateral negotiations with countries that have not yet concluded FTAs at the second TPP negotiations amongst eight countries held on June 14-18, 2010 in San Francisco. However, such plans hit a wall when Australia, New Zealand, and Singapore sought unified regulations through multilateral negotiations. The United States has expressed this position because it has already signed individual FTAs with five out of the eight countries; so concluding FTAs with New Zealand, Brunei, and Vietnam, would create more favorable circumstances to enter the TPP economic bloc. Other countries strongly opposed this.¹³ When the United States proposed to adopt the same contents as in the KORUS FTA, opposition from the P4 members indicated that negotiations would not be easy.¹⁴

The Position of Japan

Kan Naoto concluded the “Basic Policies on Comprehensive EPA” on November 9, 2010, and soon after, officially declared active participation in TPP negotiations at the APEC General Meeting held in Yokohama.¹⁵ Japan’s strategy is completely different from its existing FTA strategies. Full elimination of tariffs on all commodities and services is a basic premise in TPP, and signifies a full opening of the agricultural market it has sought to protect so far.¹⁶ Voices in support or opposition, including those in the DPJ, stand in stark contrast. Surveys predicted that if Japan does not participate in TPP and the Korea-China FTA is concluded, its GDP is expected to decrease by 10.5 trillion yen. Other results suggested that total GDP will decrease by 7.9 trillion yen, due to reduced production in agriculture and fisheries, if Japan participates in TPP.¹⁷ The ruling party, however, wants to promote TPP participation in earnest, even if it means enduring extreme internal resistance and political pressure.¹⁸ There are three main reasons behind this persistence: to accelerate opening of the Japanese economy, to create momentum for reform of Japan’s industrial structure (especially in the agricultural sector), and to acquire a leading position in future discussions on East Asian economic integration vis-à-vis Korea and China.

First, Japan is planning to use participation in TPP as a platform towards an “Open Japan.” Kan argued that a new growth engine is necessary to overcome the domestic market-oriented economic system that is becoming permanent, and the situation in which Japan is far removed global economic trends.¹⁹ Moreover, as it can be understood from Table 6, Japan regards participation in TPP as a strategic means to revitalize the economy and also go beyond a simple FTA.²⁰ In the meanwhile, considerable damage to Japanese exports to the EU and the United States is expected due to the recently concluded Korea-EU and KORUS FTAs.²¹

	Japanese goods (Tariff rate %)	Korean goods (Tariff rate %)
US Market	Passenger cars (2.5%)	Tariff abolition within ten years of activation of KORUS FTA
	Polystyrene-Polyester (6.5%)	
	LCD screens-Color TV (5%)	
	Electrical amplifiers-speakers (4.9%)	
EU Market	Passenger cars (10%)	Tariff abolition within five years of activation of Korea-EU FTA
	CLBS TV (14%)	
	Liquid crystal display screens (14%)	
	Microwaves (5%)	

Source: Sun-Taek Hwang, “Japanese FTA Policies and Possibility of TPP Participation,” (Seoul: 2011, in Korean).

Second, Japan sees an opportunity to change its industrial structure, drastically reforming the agricultural sector that has relied on government subsidies for a long time. The government has been adhering to basic policies of FTA promotion enacted in 2004, which excluded the sensitive agricultural sector and focused on industrial products.²² However, Japan determined that full opening is inevitable once it starts participating in TPP, and focuses on “enhancing competitiveness and expanding foreign demand” and boosting the potential of Japanese agriculture as key challenges.²³ It referred to an “agricultural structure reform headquarters” in the “EPA Basic Policy” issued in November 2010, and plans to engage in proactive countermeasures, including basic policies for agricultural reform, finances, and mid to long-term action plans by November 2011.²⁴ Noda Yoshihiko cannot escape internal resistance, stating that he will “try his best to achieve what is in the best interest of the nation.” Yet, a passive attitude due to conscious awareness of domestic opposition directly contradicts indiscriminate market opening that the United States is demanding, making it unlikely that Japan will be able to fully and immediately participate in TPP. If there is a shift in U.S. intentions in order to expand its influence in Asia, this could make it possible for Japanese attitudes to soften and lead to unexpected progress.²⁵

Third, Japan recognizes TPP as a strategic opportunity to check future expansion strategies of Korea and China, and to occupy a leading position in East Asian economic cooperation. It intends to make these views known by participating in the establishment of FTAAP standards, which is the ultimate goal of APEC and TPP. In other words, because TPP is already in the actual negotiating stage, unlike ASEAN+3 and ASEAN+6, which are still being conceptualized, there is a chance to prepare for launching other moves at economic integration. Japan also determined that TPP participation would re-consolidate its alliance with the United States. This line of reasoning is one of the factors that enhances the chances for TPP conclusion, coupled with the intentions of the United States to expand its influence in East Asia.

The Position of China

The discussion of East Asian economic integration is at a standstill with no significant progress, with Japan and China locked in leadership competition. From logic stemming from deep-seated Sinocentrism, China prefers autonomous interaction (ASEAN+3) in East Asia without interference from the United States. It expresses antipathy toward the U.S. push for TPP. Even though China already concluded FTAs with New Zealand and Singapore, bilateral FTAs between these countries led to no great increase in openness. The possibility of it joining the TPP cannot be ruled out, because the TPP members, including the United States, believe that any country should be able to participate freely if it simply accepts the level of market opening and trade/investment liberalization required.²⁶ In addition, the Chinese government is well aware that it needs to find a new road before China falls into a stagnation trap when its high growth winds down. But considering that it took a long time for China to open up to the WTO and that it has been severely criticizing the shortcomings of the American market economy, there is little likelihood that this will happen for a long time.²⁷

The form of economic integration that China prefers is the EAFTA. It may continue its overtures towards the region: strengthening cooperation via ASEAN+3 and accelerating regional economic integration that would not be different from a Korea-China FTA or China-Japan-Korea (CJK) FTA. China expects the CJK FTA to contribute to forming ASEAN+3 as a building bloc, because these three states have already concluded FTAs with ASEAN countries individually. As TPP discussions centering on the United States gather momentum, China is taking a rather flexible stance toward ASEAN+6, expecting to achieve integration that focuses on ASEAN. China is encouraging the start of negotiations for CJK FTA in earnest, and now displays a more positive stance toward the formation of ASEAN+6 that Japan has suggested.

CONCLUSION: PROSPECTS FOR TPP CONCLUSION AND KOREA'S DECISION

From Korea's standpoint, economic benefits are larger in ASEAN+6, which focuses on ASEAN, compared to TPP, which centers on Asia-Pacific countries. In addition, considering that the drive for future economic growth is bigger in the East Asia region, an ASEAN-oriented regional integration seems more desirable for Korea. Korea has signed FTAs with major TPP members (the United States, Chile, Peru, and Singapore), and is conducting FTA negotiations with Australia and New Zealand, so incentives for joining the TPP do not seem great. Of course, some argue that Korea should first join TPP, because ASEAN+6 has only just been conceptualized, while TPP is already at the negotiating stage. Moreover, TPP negotiations are expected to follow the standards of KORUS FTA, which includes all of Korea's sensitive issues, so there are arguments that Korea will not experience major difficulties after joining TPP.²⁸ However, the results of ongoing negotiations for the five latecomer countries in joining TPP, and whether or not Japan and China will join TPP, are more important factors.

It is unlikely that Japan will participate in TPP, but if the level of openness in TPP is high and Japan decides to join, then Korea's competitiveness, in comparison to that of Japan, may decline in the TPP member market. This means that Japan's participation would likely trigger Korea's participation in TPP. The level of openness in the agricultural market will play a prominent role in determining whether or not Korea will decide to join. Japan's level of openness in the agricultural sector, which is more closed than that of Korea, may also affect Korea's conditions and willingness to participate.²⁹

Whether or not China will join TPP will also become an important factor in Korea's decision. As seen in the CGE model, the biggest reason ASEAN+6 would bring more economic benefits for Korea is China. It is expected that China's position as a consumer market and producer will become stronger in the future, under the current global and European financial crisis. However, if TPP expands and Korea and ASEAN decide to join, a new market and production network will be formed within TPP, in which case China's position will be weakened in the mid to long-term. So China is expected to decide whether it will accept the expansion of U.S. influence toward East Asia in the short term and participate in TPP in the mid

and long term; or continue with efforts toward regional economic cooperation independently.³⁰ Such intentions are also expressed in China's official stance, stating that "it is somewhat unpleasant not having been invited to TPP discussions, but if the economic integration process is carried out in a transparent and fair manner, we will accept it." Furthermore, although it is hard for China to accept the across-the-board conclusion of multilateral negotiations according to the Platinum Standard, given concerns that it will fall into the middle-income trap, the possibility of China's participation in the mid and long term cannot be ruled out.³¹ If China's participation in TPP progressed rapidly, it is possible that Korea would fall behind and be left out of the bloc. However, it is much more likely that China will be active in organizing a China-led regional economic integration and discussing the CJK FTA, while engaging in efforts to bolster its relations with ASEAN. Korea is expected to respond positively to such efforts from China.³²

Another important factor in Korea's decision to participate in TPP is whether or not the TPP Agreement will be concluded under more favorable conditions than the KORUS or Korea-EU FTA in future negotiations between P+ member countries. This has to do with whether the sensitive parts of twenty-four detailed provisions, such as rules of origin and intellectual property rights, are more advantageous for Korea compared to the KORUS FTA. In particular, TPP is more favorable because it is more diverse in terms of developmental stages than the KORUS FTA, regarding the rule of origin. There is a debate in the KORUS FTA on whether the Kaesong Industrial Complex will be recognized as a processing zone outside of the region. In the case of rules of origin applied to outward processing zones, the concluding standards of each FTA are different and do not have clear criteria. Moreover, in the KORUS FTA, goods and parts produced in North Korea, including Kaesong, must receive approval from OFAC (Department of Office of Foreign Assets Control) in order for them to be applied to the KORUS FTA.³³ For the automotive industry that is expected to benefit the most from this FTA, it is necessary to keep an eye on the direction toward which the TPP rule of origin progresses, given the tens of thousands of parts needed in automobile manufacturing. KORUS FTA stipulates "to encourage producers that utilize parts, labor, and other production factors produced in Korea or the US, this FTA limits its applicable range to Korea and United States, excluding markets in North Korea, China, and other countries." Also, looking at the division of labor within East Asia, exporting Korea's manufactured goods may be a burden in the future.³⁴ Furthermore, if the rule of origin in TPP is concluded over-reciprocal to countries within the region, there is a possibility of Korea becoming a target of reverse discrimination from the countries within the TPP region, regardless of the KORUS FTA. However, such coordination of detailed terms only favorable towards countries within the TPP region must be preceded by concessions from the United States, which it will find difficult to accept.

The United States is taking the standards of KORUS FTA as a basic template, instead of existing standards of P4.³⁵ In fact, when the TPP is compared to the P4, it reveals that the divisions in negotiations for commodity trade have been divided into more specific areas such as agriculture, industrial products, textiles

and clothing. Things such as Yarn Forward regulation for textiles and clothing, as in the KORUS FTA, will be added to rules of origin; “service” was divided into finance, telecommunications, and e-commerce; and provisions on labor and environment have been added. This seems to be the intention of the United States to apply the same standard of intellectual property rights (IPR) in TPP, as they have demanded in the KORUS FTA.³⁶ The IPR in KORUS FTA focuses on pharmaceuticals; the KORUS FTA prohibits the manufacture and distribution of generic drugs within developing countries, that have been allowed to do so according to the May 10th Agreement established during the Bush Administration, upon agreement between the U.S. administration and Congress (the Democratic Party) at the time. In other words, the United States clearly specified a higher protection level of IPR than they did in the KORUS FTA.³⁷ Considering the position of the United States to apply such standards to TPP, mutual concession regarding the rule of origin seems difficult. Assuming this situation, the conclusion of TPP is expected to be more complex, in which case the goal of conclusion by 2012 will be difficult to achieve. Also, the aforementioned internal resistance within Japan and the government’s reserved negotiating attitude, will make conclusion of negotiations very difficult. Since there are big differences among TPP members in economic and institutional development, it will be difficult to conclude high quality FTAs. Within East Asia attitudes are polarized: South Korea, Japan, and Singapore are pursuing relatively advanced FTAs, while ASEAN and China are pursuing a low quality FTA.

It is expected that East Asian economic integration will grow more complex, as the positions of East Asian countries and the United States regarding TPP are not congruent. Korea has already effectuated FTAs with two giant economies, the United States and EU, so for the time being, the situation is not urgent with respect to TPP participation. Furthermore, it is unlikely that TPP will be actualized in a short period, and Korea has already concluded bilateral FTAs or is in the process of negotiation with the majority of the TPP participants, so it is all the more unnecessary to rush into joining the TPP. However, there is a subtle difference between bilateral and multilateral FTAs. In a world where the products and services of each country are made or are available only in a particular country, there will probably be no differences. But the global production network is expanding, and input from various nations is added between the start of manufacturing and the sale of the final product. This impacts production. In such a situation, multilateral FTAs, especially economic integration systems like TPP, between countries with various special advantages such as resources, labor, technology, and markets, are much more beneficial in satisfying the rules of origin, compared to bilateral FTAs. Korea should not rush in determining the pros and cons regarding TPP. It would be wiser to take some time in deciding, while examining the future agenda of TPP and the ongoing movements of China and Japan.

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Competing Templates in Asia Pacific Economic Integration

PETER A. PETRI

Nearly two decades have passed since the last major multilateral trade agreements were concluded in 1993—a gap already longer than any since the GATT/WTO system emerged in 1948. Action on trade rules has instead shifted to bilateral and regional agreements; for example, at the time of the Uruguay accords there were three trade agreements in force among APEC economies while today there are forty-one (and more are in the works). This shift is due to multiple forces and it is likely to persist.¹ In the Asia Pacific, the shift to regional agreements has generated two major, controversial initiatives: an Asian track of negotiations centered on ASEAN, and a trans-Pacific track centered on the proposed Trans-Pacific Partnership (TPP) agreement, including the United States. The Asian track aims to deepen economic relationships among Asian economies, but it has also been viewed as an effort to reduce America’s historically important role in Asia. The TPP would strengthen ties between Asia and the Americas and create a new template for the conduct of international trade, but it has also been described as an American effort to encircle China. To make matters more complicated, each track could lead to a Free Trade Area of the Asia Pacific (FTAAP) comprising countries on both tracks.

Where will these tracks lead? The Asia Pacific is easily the world’s most important region from the viewpoint of long-term economic growth. It is also the site of a potentially critical rivalry or partnership—or both—between China and the United States. International flows of goods, services, capital, technology and people in the Asia Pacific account for two-thirds or more of all such global flows, excluding intra-European flows. Effective region-wide integration could yield benefits larger than those that expected from the Doha Round. Conflict in the Asia Pacific would severely damage the world’s economic and political prospects.

This paper examines the structure of the tracks, their possible trajectories, and their economic implications for the region and the world. It estimates how the benefits are likely to evolve on each track and shape countries’ decisions to join one or another. This analysis draws on an ongoing quantitative study of the Asian and TPP negotiating tracks by Michael Plummer, Fan Zhai and me.² The results suggest that both tracks will generate substantial benefits for participants and potential new members. Over time, most Asia Pacific countries would likely join both tracks. China and the United States would thus be left among the very few countries *without* preferences in both of their huge markets. That should generate increasing incentives for them to develop a wider agreement, perhaps based on one of the tracks, or on new global negotiations that also include Europe. This view may be “Polyannaish,” in the sense that politics could easily overwhelm its economic arguments. What we can demonstrate is that competition in the Asia Pacific takes place in a highly positive-sum context. Thus, competition need not be viewed in apocalyptic terms—it could as easily pave the road to regional integration.

WHY ASIA PACIFIC INTEGRATION MATTERS

Asia Pacific trade matters because it is huge, innovative and dynamic. A liberal global trading environment has helped to drive Asian development, generating tremendous flows of goods and services within Asia and with advanced economies elsewhere. The region's production networks, in turn, have set new standards for manufacturing efficiency. And these linkages will become even more important in the future, as the Asia Pacific's share of the global economy rises. Given the region's role in the world economy, it is hardly surprising that the venue of trade negotiations is shifting from global forums to agreements within the Asia Pacific.

Of the world's \$14.3 trillion in trade in 2010, all but \$4.7 trillion involved APEC countries—a useful working definition of the Asia Pacific region—as either an exporter or importer (Table 1) or both. Of the region's trade, intraregional trade amounted to about half, or \$4.9 trillion. This trade further divides into trade within the Americas (\$1 trillion), within Asia and Oceania (\$2.3 trillion), and across the Pacific Ocean (\$1.6 trillion). These magnitudes indicate the huge scale of Asia Pacific integration and its importance to the global economy.

	Americas	Asia	Oceania	Russia	ROW	World
Americas	999	397	28	8	635	2,067
Asia	740	2,291	109	51	1,340	4,532
Oceania	14	154	14	1	55	238
Russia	14	53	0	0	332	400
ROW	894	1,198	62	177	4,720	7,050
World	2,661	4,094	214	237	7,082	14,287

Source: APEC Bilateral Database, accessed 25 February 2012.

Asia Pacific trade is also dynamic. The region is characterized by great variations in resource endowments and levels of development, and enabling countries to exploit the major growth opportunities implicit in these gaps. Trade has permitted labor-rich and resource-poor countries to exchange manufactured goods for primary materials; advanced and emerging economies to exchange high-technology and labor-intensive products and services; and rapidly growing countries to move into new industries and, in turn, pass older ones to new “flying geese.” Vietnam and China were the two most recent Asian economies to join the WTO; they were required to make major concessions and have benefited greatly from doing so. These flows are likely to remain dynamic in the future; in the next fifteen years, the APEC region is expected to further increase its share of world GDP from 53% to 56% (Table 2). Table 2 also points to change in the composition of the Asia Pacific economy; the Americas, which now account for 54% of the region's GDP, will by 2030 account for only 45%. Meanwhile, the rules that

govern these vital linkages are becoming frayed. After a decade of work, the Doha Development Agenda is collapsing. An agreement would have been required by 2007 to come under U.S. fast-track negotiating authority, and by mid-2011 to avoid the politics of election cycles in the United States and elsewhere. These and many other

Table 2. Projected Growth in the Asia Pacific, 2010-25

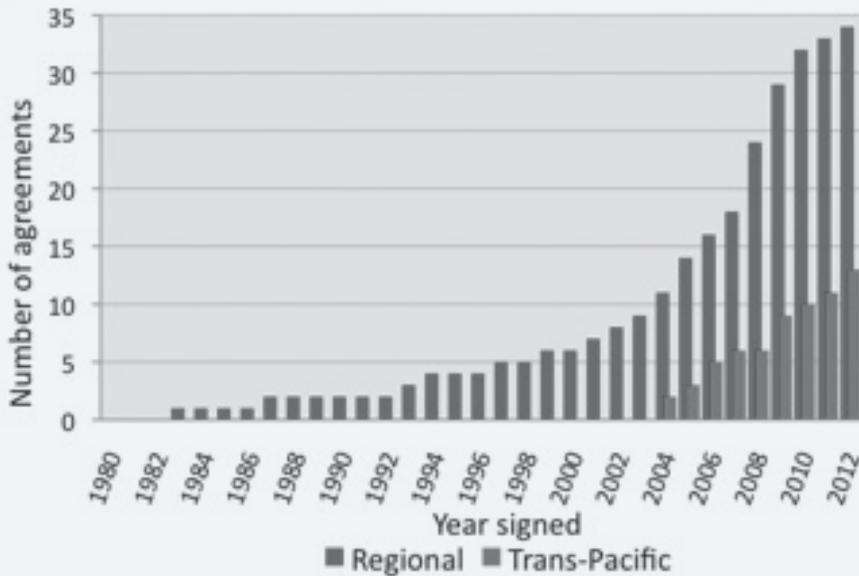
	GDP US\$2007bill.		2010-25	Share of World GDP	
	2010	2025	Growth	2010	2025
Americas	16,784	24,918	2.7	28.8	24.4
Asia	11,856	27,999	5.9	20.4	27.5
Oceania	1,056	1,632	2.9	1.8	1.6
Russia	1,323	2,790	5.1	2.3	2.7
ROW	27,182	44,627	3.4	46.7	43.8
World	58,201	101,967	3.8	100.0	100.0

Source: Petri et al, (2011).

deadlines were missed. In 2011, even modest efforts to find “alternative deliverables”—agreements on market access for Least Developed Economies, environmental goods and services, and trade facilitation—appear to be failing. Instead of global rules, a wave of bilateral and regional free trade agreements has swept across the world and the Asia Pacific (Figure 1). Among APEC economies, there were only four major agreements before 2000—the ASEAN Free Trade Area, the Canada-U.S. Free Trade area, the North American Free Trade Area, and the Australia-New Zealand Closer Economic Relations accord. Today there are thirty-nine, with others in negotiation.

Until 2004, all of the new regional agreements among APEC countries involved regional groupings or pairs of countries, including agreements involving ASEAN. As Table 1 suggests, about two-thirds of Asia Pacific trade indeed takes place within sub-regions, such as the Americas and Asia. It is not surprising that the region’s first wave of trade agreements targeted these relationships. But the remaining one-third of Asia Pacific trade that crosses the Pacific involves especially important types of trade—linkages that permit exchanges across countries that differ substantially in development, resource endowments, technology, and capital-labor ratios. As Figure 1 also shows, the most recent wave of Asia Pacific trade agreements that began to appear in the mid 2000s has focused precisely on flows across the Pacific, between the Asia Pacific’s major eastern and western sub-regions.

As regional trade agreements have begun to fill the vacuum left by stalled global negotiations, they have created new opportunities and sources of uncertainty for Asia Pacific trade. A more coherent, comprehensive regional or global system could offer significant gains, and either track could, in principle, lead to such deeper integration. The great challenge to policy makers and analysis is to explore whether, and how, the Asian and the newly emerging Trans-Pacific tracks could provide the basis for a truly integrated regional trading system.

Figure 1. Trends in Asia Pacific Trade Agreements

Note: among APEC members.

Source: ESCAP database (<http://www.unescap.org/stat/data/>).

STRUCTURE OF THE ASIAN AND TRANS-PACIFIC TRACKS

Since 2007, APEC leaders have repeatedly noted the benefits of an Asia Pacific wide trading system, recognizing both the Asian and Trans-Pacific negotiating efforts as possible pathways toward it. Yet there is still much debate about the objectives of each track, and about the likely speed and rigor of their progress. Indeed, some observers have even argued that the tracks are more likely to divide the region than to integrate it. These issues are explored in some detail below, beginning with the historical evolution and current structure of the negotiating tracks. We will show that the two tracks originated in different policy contexts and have adopted different approaches to integration. Nevertheless, we will also show that they are fundamentally interdependent. Each has already begun to influence the other. The parallel progress of the tracks and their interactions are likely to be salient features of the region's trading system for some time.

The Asian Track

The region's modern trading institutions are, somewhat surprisingly, based on the initiatives of the Association of Southeast Asian Nations (ASEAN) rather than the linkages of Northeast Asia's giant economies. This has left a distinctive mark on the Asian track, yet much is now in flux as China assumes a central role in the region's economy. Launched in 1967 as a political institution, ASEAN turned its attention to economics starting in 1977 with a preferential trade agreement and joint industrial projects. Economics has since become its dominant interest. ASEAN has concluded an impressive network of free trade agreements within

the region and beyond and established a prominent venue for regular regional summits. This central role was dramatically advanced by a free trade agreement that China initiated in 2002, leading to a full ASEAN-China FTA in 2010. The Chinese initiative was quickly followed by Japanese and Korean agreements, and eventually by “ASEAN Plus One” agreements with India, Australia and New Zealand. Negotiations are now also underway with the European Union.

With the number of regional FTAs rising sharply, interest has grown in wider regional agreements to exploit the advantages of larger economic zones and to simplify the “noodle bowl” of existing arrangements, including 180 bilateral arrangements among various Asian economies. In 2004 the ASEAN+3 economic ministers commissioned a feasibility study to establish a trade agreement, the East Asia FTA (EAFTA). A group of experts recommended an agreement that was comprehensive in scope, achieved high standards, and was implemented as a single undertaking. But no action followed. A follow-up study in 2009 suggested a slower approach, focused on a unified RoO regime for existing FTAs.

In the meantime, ASEAN established an East Asian Summit (EAS) in 2005, adding Australia, New Zealand and India and addressing concerns that the dialogue was becoming too heavily dominated by China. At the EAS in 2007, Japan proposed a free trade agreement based on this wider group, the Comprehensive Economic Partnership of East Asia (CEPEA). A study of the framework was presented to the 2009 summit, which agreed to examine it in parallel with the EAFTA proposal. The study argued that that this wide arrangement would create larger gains than other regional FTAs, and proposed economic cooperation, trade and investment facilitation, and trade and investment liberalization as the principal pillars of the new agreement.

FTAs now connect ASEAN with all six partners in EAFTA and CEPEA, but an FTA among China, Japan and Korea (CJK) remains elusive. The three are critical for any regional institution, but cooperation has proven difficult. Serious attempts are underway to bridge these gaps, perhaps due to the competitive pressure of the TPP agreement. In 2008 the leaders of the three countries began to meet annually outside of the ASEAN+3 summit, and in 2011 completed an accelerated study of a trilateral FTA, expecting to begin negotiations in May 2012. At that time, they are also expected to sign a trilateral investment agreement. In parallel with these initiatives, China and Korea have conducted bilateral negotiations. China and Japan have reached a truce on their alternative visions for the regional arrangement, now proposing to move ahead with both the ASEAN+3 or ASEAN+6 frameworks in parallel. At ASEAN’s Bali Summit in 2011, they also jointly proposed several working groups to shape the dialogue, some of which ASEAN accepted. But ASEAN, in turn, has added a template for regional integration based on an “ASEAN++” model that would harmonize existing ASEAN agreements and permit other countries to join. Perhaps a response to the TPP’s objective of serving as the template for regional arrangements; it aims to make sure that future integration remains “ASEAN-centric.”

A comprehensive regional agreement remains to be concluded. Existing Asian trade agreements, though wide ranging, have been relatively shallow and do not include trade among the region’s largest economies. Economic studies—including by us—show

that an agreement that is more rigorous and includes the Northeast Asian economies would produce results that are substantially better than more modest ones.³ However, the progress has been facilitated by exceptions, modest concessions on “behind the border” regulatory issues, and relatively weak labor and environmental provisions.

The Trans-Pacific Track

The modern vision for Asia Pacific (or trans-Pacific) economic integration also dates back to the 1960s. In 1968, economists from around the Asia Pacific region founded the Pacific Trade and Development Forum (PAFTAD), which then convened conferences on trade liberalization across the Pacific region. PAFTAD eventually became the midwife of the quasi-governmental Pacific Economic Cooperation Council (PECC) in 1980. PECC’s efforts, in turn, helped to set the stage for the official Asia Pacific Economic Cooperation (APEC) forum. Since the collapse of the “Early Voluntary Sectoral Liberalization” effort in 1998, APEC has settled into an operating model based on non-binding approaches focused on trade and investment facilitation. But APEC has encouraged “pathfinder” initiatives among APEC sub-groups that lead to agreements without full consensus. One such initiative (although not officially labeled an APEC pathfinder) was a high-quality trade agreement, the Trans-Pacific Strategic Economic Partnership (typically referred to as the P4 agreement), signed by Brunei, Chile, New Zealand and Singapore in 2005. This became the seed of the current TPP negotiations.

While eschewing negotiations, APEC has also encouraged work on a region-wide free trade area, in part to speed the achievement of its 1994 Bogor Goals of free trade and investment in the region. In 2006, the APEC Business Advisory Council formally proposed efforts to establish a Free Trade Area of the Asia Pacific (FTAAP). The concept has since appeared in several Leaders’ Declarations, starting in 2007. The 2010 Leaders’ Declaration formally recognized the EAFTA, CEPEA and the TPP as pathways to the FTAAP.⁴

The TPP negotiations were energized by the Bush administration decision of the United States to enter into negotiations with P4 members in February 2008. Australia, Peru and Vietnam announced their intention to negotiate later in 2008. The pace of activities then accelerated in late 2009, when Obama made the TPP a centerpiece of his new trade policy. Malaysia joined the negotiations in October 2010 and at the APEC Summit in 2011 the negotiators issued an outline of the agreement. Canada, Japan and Mexico then also expressed their intentions to join. Thus at least nine, but perhaps as many as thirteen economies (since some expect Korea to join at some point) are now likely to be involved in the agreement.

Domestic politics in the United States might appear to pose a serious obstacle to the TPP since the U.S. president no longer has “fast track” authority to facilitate the approval of trade agreements in Congress. Still, an agreement reached among like-minded, open economies is likely to have reasonable chances for success. Despite its deep political divisions, Congress has approved the Colombia, Korea and Panama FTAs, and there is considerable business and bipartisan support for the TPP. Most importantly, the agreement would reinforce the strategic objective of deepening the U.S. “pivot” with Asia. Speaking before the Australian parliament,

Obama argued that as “the world’s fastest-growing region—and home to more than half the global economy—the Asia Pacific is critical to achieving my highest priority: creating jobs and opportunity for the American people.”⁵

This ambition, complicated by expanding membership, poses huge challenges. Each round of negotiations involves 400 or more negotiators, and nine rounds were already held between March 2010 and the November 2011 APEC Summit in Honolulu. Three more are scheduled for 2012. Prime Minister Razak of Malaysia has said that the goal is an agreement by July 2012,⁶ but in light of the challenges this timeline seems optimistic.

The TPP could also represent a breakthrough in consolidating existing trade agreements (there are fourteen bilateral or regional agreements spanning the countries now negotiating the TPP).⁷ In the absence of strong regional or global initiatives, a complex “noodle bowl” of rules and regulations has emerged to cover trade in Asia and elsewhere. It would be important if the TPP could unify rules of origin across the region, permitting the cumulation of value originating across member countries. Inconsistent rules of origin are particularly problematic in current trade agreements because they impose costs of compliance and generate incentives to diminish rather than increase productivity.

Most importantly, the TPP would help to sustain the vigor of trans-Pacific linkages. Most new Asian FTAs exclude the United States and could divert trade and investment from it, eventually eroding support for trans-Pacific trade in the United States. For example, of the eight countries now involved in the TPP negotiations, seven already have a free trade agreement with China, and six already have a free trade agreement with Japan. Helping to entrench integration across the Pacific, it could prevent “drawing a line in the middle of the Pacific.”

A Contest of Templates

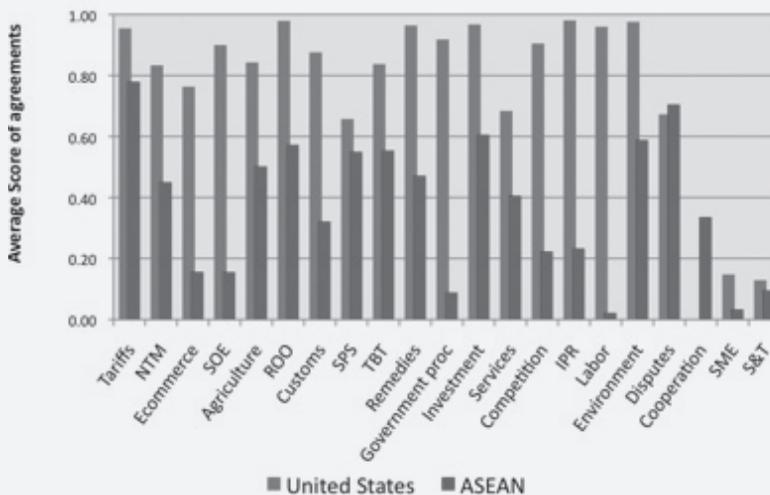
The tracks differ in membership and coverage of issues. The Asian track excludes the United States and other countries in the Americas, while the TPP track excludes China and some other Asian economies, at least for now. Some Chinese observers have complained that China has not been asked to participate in the TPP,⁸ and the United States responded that any country willing to sign an ambitious TPP is welcome to join. Both governments understand that the TPP is likely to contain provisions that China would find unacceptable for now. Reconciliation of the tracks will have to be left to the future. Asian agreements typically seek gradual liberalization, while the TPP aims to create a comprehensive, forward-looking template for economic integration. Asian agreements are intended as less intrusive; the “ASEAN way” has emphasized consultation and consensus, complementing the region’s political commitment to non-interference. In practice this has meant that Asian agreements contain more exceptions and tend to accommodate the reluctance of countries—especially large ones like China or Indonesia—to accept intrusive restrictions on domestic policies. The TPP track, by contrast, will require commitments in many areas of economic activity, including “behind the border” regulations that constrain international commerce (albeit long transition periods may be allowed in some countries).

These qualitative observations are borne out by quantitative comparisons of trade agreements concluded by ASEAN and the United States in the past. Petri et al. develop a database of trade agreements that includes scores that attempt to assess the rigor of provisions in twenty-one issue areas commonly contained in trade agreements (Figure 2).⁹ Agreements concluded by the United States tend to have much higher scores than Asian agreements on issues such as government procurement, intellectual property rights, investment, and competition. ASEAN agreements tend to have more limited provisions on average, but have stronger provisions on cooperation and collaborative dispute resolution. On average, intra-Asian accords have also applied smaller average tariff cuts to higher initial tariffs, leaving larger barriers behind.

The templates are likely to take contrasting positions on three clusters of issues. One such cluster, involving market access for goods, is likely to be addressed in similar ways (albeit with different tolerances for exceptions). A second cluster, addressing investment, services and related rules, will present sharper contrasts. The third cluster, comprising provisions that respond to political concerns, may appear to differ substantially, but often has more limited effects in practice than would appear on paper.

Issues related to market access in goods—principally tariffs and non-tariff barriers—are usually of greatest interest to emerging economies and to those that specialize in “sensitive” commodities, especially agriculture. The Trans-Pacific track is likely to attempt comprehensive market access, including in sensitive sectors such as labor-intensive manufactures and agriculture. Whether this ambition can be realized remains to be seen; both Japan (rice) and Canada (dairy) have highly-politicized barriers that may require special treatment. The Asian track, by contrast, will permit more exceptions—indeed, one of the selling points of the Asian track for Japan and Korea has been that it will not require the political sacrifices expected in the TPP. However, labor-intensive manufactures in Southeast Asia will create strong concerns as Asian agreements deepen over time.

Figure 2. Average Scores of Provisions on Major Issues



Source: Petri, Plummer and Zhai (2011).

The second cluster of issues involves the competitive sectors of advanced economies—services, technology, and investment, and related rules on competition, government procurement and intellectual property. These topics should yield larger differences between the tracks, because they will be strongly promoted by the United States on the TPP track. Many of the resulting provisions will be contentious, since other economies—even some at high levels of development—are often importers of the relevant products and services. Non-government groups will also play a large role, since they are eager to avoid any international rules that might constrain their ability to influence domestic regulation.

Finally, a third cluster of issues covers political objectives, which appear in agreements in order to accommodate domestic politics. Some economists strongly oppose these “non-economic” issues, but in practice they don’t seem to generate significant economic distortions. The issues of interest to advanced countries are labor rights and environmental protection, which are typically addressed in agreements by requiring countries to accede to international conventions and to develop appropriate enforcement mechanisms. There is currently discussion in the TPP to step up the international standards required. The issues of interest to emerging economies are cooperation in culture and science, technology transfers, and labor mobility. These are often addressed by various collaborative projects and exchanges. Thus, while the Asian and TPP tracks are likely to have somewhat different policy provisions, contrary to common expectations these issues are unlikely to define the greatest contrasts between them.

These differences between the tracks reflect policy approaches and structural challenges in their respective member economies. Asian agreements seek to preserve “policy space,” while Trans-Pacific agreements, influenced by the United States and other advanced economies, focus on market access for advanced sectors, and on provisions designed to satisfy their contentious domestic politics. But it would be a mistake to read too much into the “selfishness” of such positions. International economics argue that the growth of trade, including in sectors of interest to less advanced countries, requires the growth of opportunities for the exports of all countries. Market access for advanced economies enables them to build support for trade, and to shift to industries that favor their areas of comparative advantage. The resulting imports generate market access for other economies. Thus, the liberalization of manufactures in the GATT era, largely undertaken because U.S. manufacturers sought improved access to global markets, built a strong coalition in support of trade and made room for dramatic increases in manufacturing activity across the world.

Interaction of the Tracks

The Asian and Trans-Pacific tracks, as the economic linkages they represent, are interdependent. Each can influence the other by demonstrating faster progress, attracting more members, or adopting “better” provisions. They are also likely to compete for acceptance and legitimacy in the international policy community. Competition among regional trade negotiations has been long recognized as potentially beneficial, but the theoretical conclusions are ambivalent; while

greater liberalization is one ultimate outcome, another is a world of warring protectionist blocs. In practice, the current proliferation of regional and bilateral negotiations is generating many, often overlapping, agreements—it does not appear to be leading to a bifurcated outcome. This may mean inefficiencies due to confusing rules, but does not seem to foreshadow an antagonistically partitioned trading system. Asia Pacific agreements exemplify these trends; a majority of the region's economies are likely to participate on both tracks.

Even in these early stages, the two tracks are stimulating mutual progress. The TPP appears to have been motivated by Asian track agreements that have excluded the United States. The TPP, in turn, has led to more vigorous Chinese efforts to accelerate the negotiations toward the China, Japan and Korea (CJK) FTA. The Honolulu announcement that Canada, Japan and Mexico had entered consultations to join the TPP was quickly followed by announcements on the completion of the CJK study and the impending CJK investment treaty. The "ASEAN++" initiative is, in turn, an ASEAN-centric response to the TPP template. The United States may be seeking to attract additional partners to the TPP track, including other Southeast Asian countries, even if this greatly complicates the process.

Agreements on the two tracks also seem to be converging in content. More recent trade agreements on the Asian and Trans-Pacific track appear to have more similar provisions than those concluded in the past, and both groups of agreements have expanded to cover more areas with similar language. If only to save negotiating effort, agreements routinely borrow provisions from each other. Indeed, one of the most important benefits of a high quality trade agreement is that its template may become a model for subsequent initiatives. Nevertheless, some observers see the tracks as fundamentally divisive, designed by China and the United States primarily to harm each other. The competition between the tracks seems to encourage hyperbole; Cold War terminology such as "encirclement" and "containment," and some even call the TPP "economic warfare within the Asia Pacific region."¹⁰ Critics of Asia-only agreements in the United States have warned of attempts to squeeze it out of Asian markets and to establish Chinese hegemony in Asia.¹¹ Shril references to a trade war are common on both sides. Such apocalyptic pronouncements naturally attract more than their share of media attention, and are amplified in mostly unrelated political debates within the countries involved in, or affected by, the negotiations.

The strains have been intensified by the sluggish recovery from the global financial crisis, as governments blame others abroad for domestic setbacks (whether unemployment in the United States or inflation in China) and argue for policy changes abroad as solutions (whether appreciation in China, or increasing savings in the United States). In the United States, the TPP has thus become a strategy for increasing U.S. exports and for combating trade practices that are thought to be unfair to U.S. producers. Such rhetoric is typical in campaigns; in 2008, Hillary Clinton and Barack Obama sent messages to trade partners to explain that their public attacks on NAFTA should not be taken too seriously.¹² Political pressures of this type are not exclusive to democratic systems; they appear to be affecting policy discussion in China during its leadership transition.

Such tensions are inevitable in trade politics and have to be taken in stride. China and the United States may not negotiate a free trade agreement now for many reasons, but they have much to gain from cooperation. Each may pursue regional agreements initially to strengthen its future bargaining position. But given projections of Asia's rapid economic growth, U.S. interests in broad, region-wide integration should grow in the future, and Chinese reforms should help to make Chinese policymakers more interested in, and comfortable with, rigorous market access provisions.¹³ In the meantime, U.S. business (and presumably also Chinese business) strongly support continued engagement. For example, the *Wall Street Journal's* CEO Council recently recommended a specific, new "economic cooperation agreement" with China that, short of a trade agreement, would promote cooperation and build confidence in the bilateral relationship.¹⁴

THE EMPIRICS OF THE TRACKS

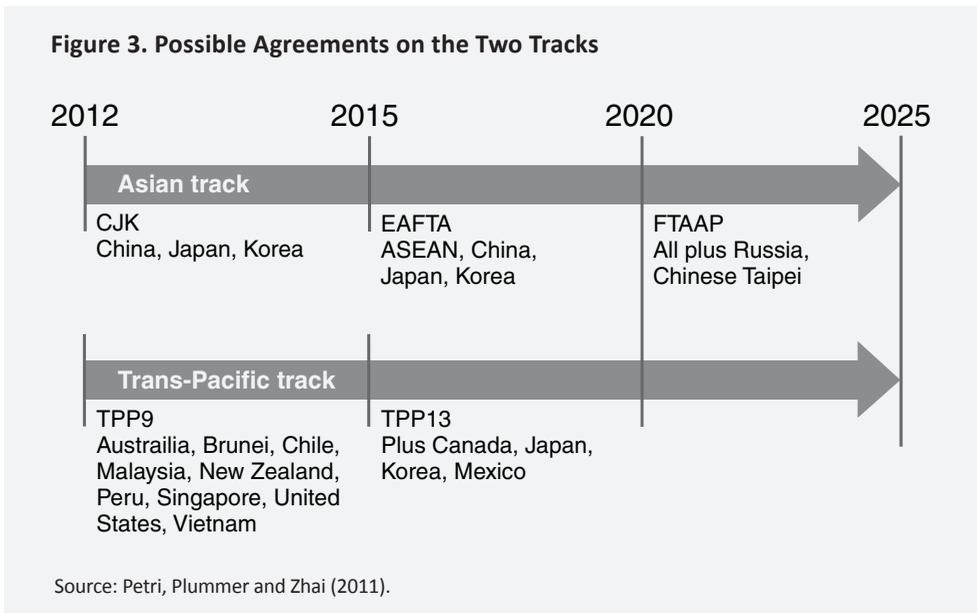
Empirical estimates of the effects of the tracks offer a surprisingly simple and positive story. The results below indicate that each track will generate significant benefits for existing members and potential new members, and competition is likely to lead to enlargement and progress on each track. And they suggest that as the tracks gain momentum, they will generate incentives for consolidation. As expected, we also see evidence of trade diversion (or losses for excluded economies), but find that the vast majority of benefits on both tracks result from trade creation and not diversion from third parties.

Modeling Framework

The results reported in this study are calculated using a twenty-four-region, eighteen-sector computable general equilibrium (CGE) model developed by Zhai.¹⁵ Such models have long been used to assess the implications of trade liberalization and have become increasingly sophisticated over time. Their results have been also widely debated. Three major concerns have arisen. CGE models appear to have: 1) underestimated economic changes that resulted from large and ambitious agreements, such as NAFTA;¹⁶ 2) have missed important effects of such agreements, including increases in productivity and international investment; and 3) often underestimated the effects of trade agreements, because they are based on the assumption of complete regional liberalization rather than the more limited progress that is usually achieved.¹⁷

We address all of these concerns with modeling innovations that, hopefully, provide more accurate results. First, we use a new type of trade model based on the finding that productivity differences among firms explain a substantial part of trade flows. This specification implies substantial changes in productivity due to liberalization; reductions in barriers accelerate the growth of productive firms and the exit of unproductive ones. Second, we do not assume that an agreement will eliminate all barriers in a bilateral relationship, but rather model only partial reductions, calculated with reference to the relevant agreement provisions. Third, we account for existing agreements and calculate benefits (say, from the TPP) as the incremental effects of the agreement over previous agreements that may already cover a trade relationship (say, the Australia-U.S. FTA).

We model the Asian and Trans-Pacific tracks described in the previous sections with the paths illustrated in Figure 1, assuming rapid progress on each track, in part to generate simulations that show contrasting results for different strategies. An accelerated timeline makes it possible to take account of the full results of the agreements in a reasonably short (2025) timeframe. As is the case with most simulation studies, the goal is not to project the future, but rather to answer “what if” questions about the consequences of policy. In line with this modeling strategy, we assume quick early results on each track, a CJK agreement on the Asian track and a TPP9 agreement on the TPP track reached by 2012 and implemented by 2015.¹⁸ The two tracks are assumed to move forward to ASEAN+3 and TPP13 agreements, respectively, by concluding these in 2015 and implementing them by 2020, and, finally, to consolidate these in a region-wide FTAAP agreement in 2020 (the target date actually envisioned by APEC leaders), implemented by 2025.



Results

The empirical results confirm the value of Asia Pacific integration and the promise of both negotiation tracks (see Table 1). Four major results stand out. First, Asia Pacific integration promises large benefits. The income gains associated with liberalization are likely to exceed \$1 trillion, or around 1.5% of world GDP in 2025. Asia Pacific agreements represent a Doha-scale project. These large benefits reflect the fact that even though the region accounts for only part of world trade, the scenarios envisioned in this study offer so much liberalization that they could generate value beyond that possible under global agreements such as Doha, even reenergizing global negotiations.

Second, the benefits increase with the scale and ambition of the integration project. As the TPP expands from nine members to thirteen (through the incorporation of Canada, Japan, Korea and Mexico), total benefits would grow from \$16 billion in 2015 to \$104 billion in 2025. On the Asian track, we find similar economic incentives for moving from the trilateral agreement among China, Japan and Korea to the thirteen-member EAFTA.

This path would generate gains rising from \$44 billion in 2015 to \$215 billion in 2025, producing larger benefits than the TPP track because initial trade barriers (especially among the region's three largest economies) are relatively high; by contrast, much trade among TPP countries is already covered by high quality agreements.

Third, while nearly all economies benefit under each scenario, the countries that systematically gain the most (in relative terms) are those that are small, initially protected, and participate early on both tracks. By participating in both, Vietnam will be in an especially favorable position to capture industries that China leaves behind as it moves into higher-technology activities. But economies such as Malaysia and Peru also capture substantial gains. In absolute terms, of course, the region's largest economies are nevertheless the biggest gainers, with China, the United States, and Japan capturing the largest benefits.

Fourth, the gains associated with the two tracks are mainly derived from trade creation—deeper integration made possible by reduced barriers—rather than trade diversion, that is, gains achieved at the expense of countries that do not receive preferential treatment. For example, Europe will also gain from the FTAAP, mainly because the production efficiencies generated by deeper Asia Pacific integration will improve Europe's terms of trade with the region.

More detailed results in Petri et al. provide information on microeconomic issues such as sectoral effects and adjustment.¹⁹ The effects of comprehensive regional integration affect substantially all aspects of economic structure.

Strategic Implications

The results suggest that the tracks are a complex “game”—they represent several stages and types of strategic interactions among Asia Pacific economies. In the early stages—the TPP9 and CJK agreements—the benefits will depend in large part on preferential access to the markets of the United States and China, respectively, yielding important gains for smaller countries—Vietnam, Malaysia and Peru in the case of the TPP, and Korea in the case of CJK. China and the United States would benefit only modestly in this early stage; their support would have to be motivated by the longer term gains that they expect to achieve in the “contest of templates.”

In a middle stage of the game, the agreements would widen—to the EAFTA and TPP13 on the two tracks—and integration would extend to several large economies on each track. Benefits would expand accordingly, including for China and the United States. The dynamism of the two trading systems could well accelerate their integration efforts. Countries that join both tracks would benefit the most. In our scenarios, Brunei, Japan, Korea, Malaysia, Singapore and Vietnam would be included in both tracks from an early stage, while Indonesia, the Philippines, and Thailand might join somewhat later. Competition between the tracks could help to ensure their participation. By the end of this middle stage—2020 under our assumptions—many Asia Pacific economies would have preferential access to most Asia Pacific markets. In that privileged position, for example, Japan and Korea would have gains equal to 91% and 90% of their total potential gains from comprehensive region-wide free trade, respectively.

Table 3. Economic Gains under Alternative Scenarios									
	GDP	Income gain (US\$2007 bill)				% Baseline GDP			
	2025	TPP track	Asian track	Both tracks	FTAAP	TPP track	Asian track	Both tracks	FTAAP
TPP track economies	26,550	77.9	6.7	83.7	228.5	0.29	0.03	0.32	0.86
United States	20,337	39.2	3.2	41.8	143.1	0.19	0.02	0.21	0.70
Australia	1,426	5.5	0.1	5.6	13.1	0.38	0.01	0.39	0.92
Canada	1,982	7.0	0.4	7.3	12.0	0.35	0.02	0.37	0.61
Chile	289	4.4	0.1	4.5	6.7	1.53	0.04	1.57	2.32
Mexico	1,999	12.0	2.8	14.4	41.6	0.60	0.14	0.72	2.08
New Zealand	206	2.0	0.0	2.0	3.0	0.95	0.02	0.99	1.44
Peru	311	7.8	0.1	8.0	8.9	2.52	0.02	2.57	2.87
Asian track economies	19,540	-19.2	139.2	122.8	510.0	-0.10	0.71	0.63	2.61
China	16,834	-15.7	103.8	90.2	387.5	-0.09	0.62	0.54	2.30
Hong Kong	405	-0.1	15.1	15.0	66.4	-0.02	3.72	3.69	16.38
Indonesia	1,473	-1.5	8.1	7.0	26.4	-0.10	0.55	0.48	1.79
Philippines	308	-0.4	3.8	3.5	11.2	-0.12	1.25	1.15	3.66
Thailand	520	-1.4	8.3	7.1	18.4	-0.28	1.60	1.37	3.54
Two-track economies	8,460	122.2	122.6	222.9	283.4	1.44	1.45	2.64	3.35
Brunei	22	0.2	0.3	0.4	0.4	0.86	1.31	1.88	1.80
Japan	5,332	52.9	54.2	99.1	115.0	0.99	1.02	1.86	2.16
Korea	2,063	18.9	46.4	58.3	70.8	0.92	2.25	2.83	3.43
Malaysia	422	11.6	6.5	17.3	25.3	2.74	1.53	4.09	6.00
Singapore	386	2.2	0.0	1.7	6.2	0.58	-0.01	0.43	1.60
Vietnam	235	36.4	15.2	46.2	65.8	15.50	6.49	19.67	27.99
Others	47,418	-7.7	-9.9	-17.1	176.7	-0.02	-0.02	-0.04	0.37
Russia	2,790	-1.0	-1.3	-2.3	175.3	-0.03	-0.05	-0.08	6.28
Taiwan	800	-1.6	-7.6	-8.4	50.0	-0.20	-0.95	-1.05	6.25
Europe	22,237	1.6	6.2	6.5	-2.3	0.01	0.03	0.03	-0.01
India	5,229	-0.6	-6.3	-6.8	-10.9	-0.01	-0.12	-0.13	-0.21
Other ASEAN	82	-0.2	0.5	0.3	2.9	-0.30	0.64	0.40	3.60
ROW	16,280	-5.9	-1.4	-6.6	-38.3	-0.04	-0.01	-0.04	-0.24
WORLD	101,967	173.3	258.6	412.3	1,198.5	0.17	0.25	0.40	1.18
Memorandum									
TPP13	35,010	200.2	129.3	306.6	511.8	0.57	0.37	0.88	1.46
ASEAN+3	28,081	102.8	262.3	346.1	796.3	0.37	0.93	1.23	2.84
APEC	58,140	178.4	259.6	418.8	1,247.1	0.31	0.45	0.72	2.14

Note: The results include both trade effects reported in the Petri et al. and investment effects that have been subsequently estimated. The latter will be incorporated in upcoming revisions of the earlier study. The groups reported in the table reflect assumptions used in the simulations. TPP-track economies are those that were assumed to participate only in Trans-Pacific-track agreements. Asia-track economies are assumed to participate only in Asia-track agreements, and Two-Track economies are assumed to participate in both sets of agreements. The FTAAP was assumed to include all APEC economies.

In the final stage, China and the United States would be left among the few economies without preferential access to both of their large markets. For them, the grand prize would be a consolidated agreement. The FTAAP would offer China 3.8 times the benefits of the Asian track alone, and the United States 4.5 the benefits of the TPP track alone. Reaching a consolidated agreement, say a decade from now, would yield greater gains at lower cost for both countries than it would today. By then, Chinese per capita incomes will be twice as high as now, and China should have interest in several rigorous provisions of the TPP template. Both will have “rebalanced” their economies. Much will still depend on the chemistry of their political and economic relationship, but both should find the economics of region-wide integration compelling.

If China and the United States agree on a region-wide agreement embracing all APEC economies,²⁰ the annual benefits would rise into the \$681-\$969 billion range, depending on the template used, around one percent of world GDP in 2025. Much of these gains would accrue to China and the United States, providing them with strong incentives to move to this final stage of integration. And the vast majority of the gains would reflect trade-creation rather than the diversion of benefits from the rest of the world. Deep integration in the Asia Pacific would help to make the region and arguably the world more collaborative, prosperous, and peaceful.

While the value of region-wide agreement is relatively easy to demonstrate, the path leading to it is unclear. Regional free trade could be approached from either of the two tracks, leading to an FTAAP agreement with a template characteristic of the track used. But in fact it is not likely to be the simple end result of either track—after all, China would find it difficult to join the TPP through a standard accession mechanism, just as the United States would find it difficult to join an ASEAN++ agreement. A more likely outcome is a new regional agreement that spans both groups, or perhaps a new global negotiation that also includes Europe. These various pathways could affect outcomes in two ways: by making it more or less likely that broad integration is achieved, and by influencing the template used in the final agreement.

The TPP track has explicitly targeted the FTAAP as a goal, while Asian integration efforts have so far focused only on Asian economies. But this does not mean that the TPP path is more likely to lead to a region-wide outcome. Progress toward that goal might be slowed by an unusually rigorous TPP template; competition between the tracks could result in a hardening of positions that makes an eventual compromise impossible. This suggests an important reason for China and the United States to find and cooperate on areas of potential mutual interest early on, even while they support different tracks to Asian and Trans-Pacific integration. Extra benefits that would result from using a Trans-Pacific rather than an Asian template for a region-wide agreement favor the TPP approach. The TPP template is likely to require deeper tariff reductions, stricter behind-the-border disciplines, more extensive protection of intellectual property rights, and greater market access for services than the Asian template. It would directly boost the exports of advanced countries such as the United States, but, in the process, it would also increase their demand for imports and generate productivity gains for all participants.

We estimate benefits under the FTAAP to be \$969 billion per year if a Trans-Pacific template is used and \$681 billion per year if the Asian template is used. (A more likely compromise would be a template in between—that yields our estimate of \$862 billion in Table 1.) The United States would get a larger share of benefits if the TPP template rather than the Asian template were used, and the reverse would be true for China. But these share differences appear small compared to productivity effects that benefit the region as a whole. The depth of liberalization, rather than its details, appears to dominate. Consequently, even China would gain more from an FTAAP reached through the TPP track than through the Asian track, although the pattern of liberalization would give it a slightly smaller share of total benefits.

The implications associated with the two tracks are optimistic. In the early stages, the tracks appear to provide benefits for small countries to join, and for the track leaders, China and the United States, to compete for their attention. In the middle stages, the benefits for all members would rise, reinforcing the momentum of regional integration. In the end, China and the United States would have strong incentives to consolidate the two tracks, or perhaps shift the venue of discussions to an even more beneficial global negotiation. By demonstrating the feasibility and profitability of high-level integration, the TPP template will make it more likely that a rigorous approach is adopted in the region-wide or global integration process. Its benefits would be widely shared, as the majority of the incremental gains accrue to Asian economies.

CONCLUSION

This analysis reaches three broad conclusions. First, liberalization along the Asian and Trans-Pacific tracks generates substantial benefits over time, and especially large benefits from region-wide integration in the end. Second, the structure of the tracks is likely to accelerate progress, first by generating benefits on each track and competition between them, and later by simulating their consolidation. Third, benefits from region-wide integration, and on the paths leading there, will depend on the ambition and effectiveness of the templates used, with a rigorous TPP template leading to the largest gains.

The key tension in these scenarios involves choices between the rigor of provisions and the scope of regional coverage. The rigorous templates on the Trans-Pacific track should yield greater gains, but they could make it harder to consolidate the tracks by setting standards that are too difficult for some economies to reach. With this tradeoff in mind, leaders and negotiators will need to seek a careful balance between the rigor and scope of their agreements. Good negotiators often know how to pursue delicately balanced outcomes, but their constituents may be not so motivated, or as skilled. It does not help that negotiations today are conducted under the scrutiny of many special interest groups and a huge “blogosphere” publicizing extreme positions.

The greatest concern is that the early contest of templates between the tracks will lead to hardened positions and/or acrimony that preclude later convergence. That outcome would be especially harmful to China and the United States, since these countries will depend on region-wide integration to realize most of their gains. The challenge to policy

makers is to proceed on limited, politically feasible, tracks now, keeping open the option of shifting to region-wide initiatives. Various factors could improve the prospects for Asia Pacific integration over time. As we have seen, the benefits to China and the United States from consolidating the two tracks will rise as liberalization progresses along each of them. The prospects for accommodation could be further improved as the U.S. economy achieves a new equilibrium following the debt cycle of the last decade, and as the Chinese economy continues to grow and reform.

Several policy initiatives might help to keep the long-term objective of region-wide liberalization consistent with short-term progress. An important signal that negotiators could give is to reaffirm the goal of region-wide free trade on both negotiating tracks. Each track could assure the region that its templates are based on this perspective by incorporating common provisions when possible, and by framing more ambitious standards in a way that could make them accessible to all potential partners in a reasonable timeframe. A possible target might be an agreement that “leads by a decade,” adopting provisions, including by ample adjustment periods, that could become acceptable to all reform-minded economies by 2020, the date APEC leaders have targeted for FTAAP.

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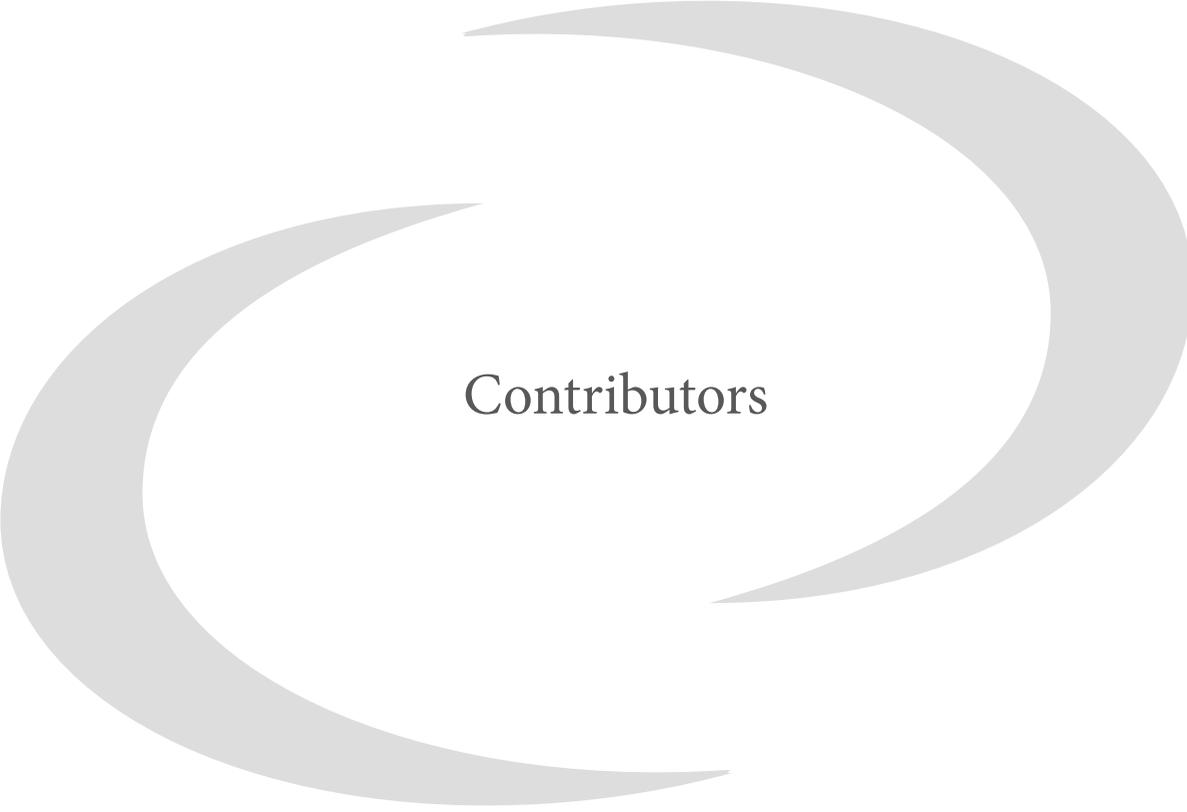
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