

**The Korean Peninsula and
Northeast Asia's Future – an American Assessment**

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For

Jeju Symposium
June 10, 2011

Northeast Asia's New Consensus

The nations of Northeast Asia are finally at peace after nearly two centuries of virtually continuous turmoil. European and Japanese imperialism has evaporated and domestic rebellion, civil war, ideological rivalry and accompanying economic decline have ended. The region's nations, Democratic People's Republic of Korea (DPRK, North Korea), Japan, Mongolia, People's Republic of China (PRC), Republic of Korea (ROK, South Korea) and Russia have, at least temporarily, shifted their focus to new, more productive priorities.

For the first time in modern history they share common goals: the pursuit of stability, prosperity and peace. Each nation's leadership recognizes that regional and domestic political stability are essential for sustaining prosperity. Similarly, without peace, stability and prosperity would quickly evaporate. These leaders also concur that their new priorities require regional cooperation.

China's emergence as a leading economic power after the Cold War's end in 1990 has shifted Beijing's focus from promoting revolutionary ideology to engaging in trade regionally and globally. Japan after more than a century of considering itself separate from and more akin to Europe and North America, is also working with mixed results to enhance ties with its neighbors. South Korea in the 1980s adopted a policy popularly known as *Nord politick* which aimed to achieve a successful 1988 Seoul Olympiad by enticing its former Communist Bloc aligned antagonists, expect North Korea, to come to participate in the world games. Success in this pursuit positioned South Korea to become a major player in international trade and to establish normal diplomatic and commercial relations with many of its previous enemies. The Soviet Union's demise in 1990 encouraged Seoul to pursue a modified *Nord politick* designed to promote reconciliation with its primary foe, North Korea. The Cold War's end also opened the door for Russia to pursue reconciliation with Japan and South Korea, and to develop a capitalist economy.

As the 20th Century ended, peace and stability in the region nurtured impressive economic gains. Today Northeast Asia comprises the world's third most economically dynamic region after North America and the European Union. China's economy in 2010 ranked second world wide behind the United States. Japan ranks a close third and South Korea ranks in the mid-level of the world's twenty most prosperous economies. Russia lags behind, but its vast mineral resources in frigid Siberia and around Sakhalin Island will soon position it to become the major supplier of fuel vital for the region's future economic prosperity. Only North Korea has yet to benefit from the region's economic dynamism.

The following data, taken from the Central Intelligence Agency's, *World Book*, 2008, illustrates several key social and economic aspects of Northeast Asia's significance in the world today. This data, which excludes that for Russia because of its European orientation, is intended to illustrate key trends and not to be quantitatively precise.

**Chart 1. Northeast Asia's Population
– Regional Comparison**

<u>Region</u>	<u>% World Population</u>
East Asia	22.7%
European Union	7.4%
USA	4.6%
Total	34.7%

Chart 2. Northeast Asia's Population by Nation

<u>Nation</u>	<u>Regional Rank</u>	<u>World Rank</u>	<u>Population</u>
China	1	1	1,331,852,000
Japan	2	12	127,434,000
South Korea	3	26	49,045,000
North Korea	4	51	22,859,000
Mongolia	5	139	2,952,000

**Chart 3. Northeast Asia's Gross National Product (GDP)
- Regional Comparison**

<u>Region</u>	<u>% of World Total</u>
European Union	21.95%
United States	21.1%
East Asia	20.7%
Total	63.7%

Chart 4. Northeast Asia GDP Per Capita - National Comparisons

<u>Nation</u>	<u>US\$</u>	<u>Regional Rank</u>	<u>World Rank</u>
Japan	\$33,800	1	34
South Korea	\$24,600	2	50
China	\$ 5,300	3	131
Mongolia	\$ 2,900	4	161
North Korea	\$ 1,900	5	181 (of 230)
(USA \$46,000, European Union \$32,900, World \$10,000)			

Chart 5. Northeast Asia Trade – National Comparisons

<u>Nation</u>	<u>% World Exports</u>	<u>Imports</u>	<u>% World Trade</u>	<u>World Rank</u>
China	8.8%	6.6%	7.7%	4
Japan	4.8%	4.1%	4.5%	6
South Korea	2.7%	2.6%	2.6%	13
Mongolia	0.1%	0.2%	0.01	136
North Korea	0.1%	0.2%	0.02	130

Chart 6. World Trade – Regional Comparisons

<u>Region</u>	<u>% World Exports</u>	<u>% World Imports</u>	<u>% World Trade</u>
NEA	16.5%	13.7%	14.8%
USA	8.2%	14.4%	11.3%
EU	9.6%	10.6%	10.1%

Northeast Asia's Global Significance

Based on 2008 data, almost one of five people in the world resides in Northeast Asia (Charts 1 and 2). The nations of Northeast Asia collective Gross National Product (GNP, Chart 3) accounts for about 21% of the world total. Together, the GNP of the United States, European Union and Northeast Asia account for nearly 64% of the world total. Compared to other regions (Chart 3), Northeast Asia ranks close behind the European Union and the United States in terms of GDP. Individually, Japan has the highest per capita GDP of Northeast Asian nations followed by South Korea. Both nations greatly exceed the world's average of \$10,000 (Chart 4). Japan slightly exceeds the European Union but it's per capital GDP is significantly below that of the USA, \$46,000 compared to \$33,800. China's per capital GDP (\$5,300) lags far behind both Japan and South Korea, with North Korea ranking last among Northeast Asian nations at a mere \$1,900.

Northeast Asia leads the world in terms of total imports and exports (Chart 6), accounting for 16.5% of world trade (total imports and exports) measured in dollar value ahead of the United States, 8.2%, and the European Union (9.6%). Individually (Chart 5), China's trade accounts for 8.8% of the world's total followed by Japan (4.8%) and South Korea (2.7%). Mongolia and North Korea account for a marginal value of world trade.

This data underscores not just the region's social and economic importance to humanity and the world economy, but also to world peace and prosperity. Political turmoil and armed conflict in Northeast Asia would adversely affect not just the region's economy but that of the entire world.

Obstacles to Stability, Prosperity, and Peace

1. Regional Reconciliation

The main obstacles to regional cooperation are the legacies of Japan's empire and the Cold War, and North Korea's building of a nuclear arsenal. Nationalism has replaced intense ideological rivalry as a divisive force. It forms several fractures akin to earthquake faults that obstruct efforts to forge regional associations similar to the European Union, the Association of Southeast Asian Nations (ASEAN), the North America Free Trade Zone, and the Organization of American States (OAS). Disputes between Japan and its neighbors over small islands such as the Russian occupied "Northern Territories," the Chinese claimed Senkakujima (Taiyou Islands) and Korean occupied Dokto (Takeshima) often disrupt regional relations.

In September 2010, a minor collision between a Chinese fishing boat and a Japanese Coast Guard ship near disputed Senkakujima escalated into a substantial and sustained diplomatic and commercial clash between Beijing and Tokyo. In April 2010 Japanese Prime Minister Hatoyama's approval of high school textbooks that claim Japan owns Dokto (Takeshima) Island excited anti-Japanese sentiment across both Koreas. Similarly, disagreement over historical accounts of Japan's imperial past, the so-called "Comfort

Women” issue, the “Rape of Nanking,” Japanese prime ministerial visits to Yasukuni Shrine, among others, retain the potential to disrupt regional cooperation. Equally divisive is the emotionally charged issue of North Korea’s abduction of Japanese citizens in the 1970s.

These issues perpetuate nationalistic sentiment deeply rooted in mistrust between Japan and its neighbors. Thus, for example, when former Japanese Prime Minister Hatoyama in May 2010 proposed a trilateral summit with counterparts from China and South Korea to form a regional economic forum, his proposal was politely heard but shelved. Progress toward reconciliation within the region continues, but at a very slow pace. Ultimately time is most likely to prove the best healer.

2. Division, Nuclear Weapons and Succession

Undoubtedly the epicenter for possible instability and war in Northeast Asia remains the Korean Peninsula, its division, possible political instability because of ambiguity surrounding North Korean leader Kim Jong Il’s successor and Pyongyang’s determined quest for a nuclear arsenal. The peninsula is the only place in the world where the interests of the world’s superpowers, China, Japan, Russia and the United States come together in uneasy harmony. Continuing hostility and political rivalry between North and South Korea, political instability, even armed conflict could abruptly undermine the region’s peace and severely damage its prosperity. Although such an eventuality serves no one’s interest, the possibility of a second Korean War persists. So long as this is the reality, sustaining Northeast Asia’s new consensus will remain uncertain.

Alas, the situation on the Korean Peninsula today does not appear headed toward resolution, at least not in the immediate future. The Korean War’s legacy continues to haunt the peninsula. Fortunately for all concerned parties, the ROK administration of President Kim Dae-jung convened the first North-South Summit which produced the Joint Statement of June 15, 2000. This initiated a period of peaceful co-existence, economic cooperation and social exchange. Kim Dae-jung’s successor President Roh Moo-hyun forged a second similar accord with DPRK leader Kim Jong Il in 2007. The two agreements greatly eased but did not entirely erase tensions between the two Koreas.

Tensions Rekindled

Most of the impressive progress toward national reconciliation between 1990 and 2008, however, has been erased. First, the DPRK’s testing of a nuclear bomb in 2006 rekindled fear across the region that it had reverted to a policy of armed intimidation. In 2008, a North Korean sentry’s killing of a wandering South Korean tourist near Mt. Kumgang on the Korean Peninsula’s east coast just north of the De-militarized Zone (DMZ) was the first in a series of North-South disputes that have undermined two decades of reconciliation. Simultaneously, North Korea’s second nuclear test, another long range missile test and disengagement from the Six Party Talks aimed at achieving a peaceful diplomatic end to its nuclear weapons program further intensified South-North distrust and international condemnation of Pyongyang’s policies. The DPRK responded by

disregarding United Nations Security Council resolutions aimed at halting its development of weapons of mass destruction.

Then two incidents in 2010 rekindled fear of war on the Korean Peninsula. Both incidents were centered on the so-called Northern Limit Line (NLL), a line that the UN Command unilaterally drew westward after the Korean War from Incheon into the Yellow Sea to delineate between ROK occupied islands and the DPRK's coast line. The "Cheonan Incident" of March 26, 2010 was yet another in a long series of clashes near the NLL. This time, according to an international investigation, a North Korean submarine sank a South Korean navy patrol boat, killing more than 40 sailors. Even more stunning was the November 23, 2010 Korean People's Army (KPA) bombardment of ROK occupied Yeonbyung Island in the West Sea not far from Incheon International Airport. In that incident, a KPA artillery bombardment killed two ROK Marines and two civilians, plus destroyed numerous civilian homes and businesses. The DPRK has rejected allegations that it was responsible for these incidents, but compelling evidence suggests otherwise. In the Yeonbyung incident which side fired first is less significant than the fact that the KPA bombarded civilian areas on the island, an unprecedented event since the Korean War.

Fortunately for the region's stability and peace, the world's superpowers promptly worked together in the United Nations Security Council to restrain both Koreas to prevent an escalation of the clash. Nevertheless the incidents have perpetuated tensions on the Korean Peninsula and throughout the region, and further complicated efforts at reconciliation between Seoul and Pyongyang. Also China and Russia demonstrated increasing reluctance to side with Seoul against Pyongyang. As for Pyongyang, it remained adamant in its refusal to accept responsibility for either incident.

The Obama Administration in Washington has responded with a policy of "strategic patience" in its dealings with North Korea. In September, 2010, Ambassador Stephen Bosworth, the chief US negotiator with North Korea, concluded that more time is necessary to set the stage for a resumption of the Six Party Talks, a view shared by China which initiated the talks. The passage of time, however, benefits Pyongyang because it can continue unimpeded to improve its nuclear and ballistic missile capabilities. If and when the talks resume, the price North Korea can be expected to demand for halting these programs will only have escalated. Even then it remains possible that North Korea, no matter what incentives it is offered, may reject a negotiated end to its nuclear program and instead insist on retaining its nuclear arsenal, at least until all US forces have withdrawn completely from Northeast Asia.

Succession in Pyongyang

Yet another threat to regional stability, a disputed succession in Pyongyang, appears to have abated as a result of meetings held in Pyongyang in August and September, 2010. North Korean leader Kim Jong Il's failing health combined with ambiguity regarding his heir apparent has been a major concern in the region, particularly after Kim's apparent stroke in 2008. Although he has resumed his official duties, uncertainty over who would

succeed him when he dies, or became incapacitated, posed the possibility of a succession dispute in Pyongyang. If that were to happen, South Korea and/or China might intervene to resolve the situation, which could destabilize the precarious balance of power on the Korean Peninsula.

But Kim Jong Il has finally taken steps to end the ambiguity by promoting his third son Kim Jong-eun to an important position in the Korean Workers' Party (KWP) and by giving him the rank of general in the KPA, steps taken at the first major meeting of the KWP since Kim Jong Il succeeded his father Kim Il Sung in 1994. At an earlier meeting in August 2010, Kim Jong Il brought together the KPA's leadership which swore their allegiance to their "Supreme Command," Kim Jong Il. These meetings of the KPA and the KWP, held on September 28, appear to confirm that North Korea's military and political leadership embrace Kim Jong-un as their eventual new leader. Concerns remain about Kim Jong-un's ability to acquire political legitimacy by demonstrating his ability to leader, but the potential threat to political instability posed by an uncertain transfer of leadership in Pyongyang appears to have subsided.

Of the several obstacles to a durable peace in Northeast Asia, the best prospects for progress appear to be a resumption of South-North Korea reconciliation. Obviously South-North Korean peaceful unification is impossible without reconciliation first. Even if nuclear negotiations were to resume, success would not become a possibility unless the two Koreas resume their reconciliation efforts.

Containment or Engagement?

Of the three options available for dealing with North Korea, only two are currently acceptable. War, the third option, is unacceptable to the nations of Northeast Asia and the greater international community. The first Korean War crystallized Korea's division, destroyed the Korean economy and killed and maimed millions of Koreans. A second Korea War would most likely only repeated the first war's consequences while also adversely affecting the entire region's economy and quite possibility causing severe damage to Japan.

Only containment and engagement remain. The United States and its allies developed "containment" at the beginning of the Cold War to "contain" the spread of communism by isolating its advocates diplomatically and commercially in the hope of weakening these foes economically. Containment was backed by "deterrence," a strategy aimed at discouraging one's foe from reverting to armed conflict by maintaining a superior military capability, i.e. "deterrence." Deterrence encompassed both nuclear and non-nuclear arsenals, i.e. conventional forces. Diplomatic isolation and commercial isolation using economic sanctions never achieved its goals because nations' affected by sanctions formed their own mutual assistance association, i.e. the so-called "communist bloc" headed by the Soviet Union and People's Republic of China. Deterrence did and continues to prevent war, but it cannot achieve peace.

Recognizing the limits of “containment,” the United States in 1971 shifted to a strategy of “engagement” that involved embracing one’s former enemy, i.e. China, in the hope of drawing it away from the Soviet Union. This strategy eventually proved highly successful. It opened first China and eventually the Soviet Union to capitalism. Communism was discredited and the Soviet Union collapsed, opening the door to Russia’s rebirth as an increasingly market oriented economy with a much less authoritarian government. In China, economic change has out paced political change, but in both Russia and China the strategy of engagement continues to promote change in both nations. Beijing and Moscow both retain their nuclear arsenals, and authoritarian practices persist, but the threat of a global war has subsided significantly and they have replaced their former goals of exporting revolution with winning international respect and gaining access to the global market.

The nations of Northeast Asia, however, have yet to forge a new consensus over how best to deal with North Korea. President Lee Myung-bak in Seoul has reverted to a policy of containment toward North Korea. The Japanese government since 2006 has pursued a similar approach by discontinuing most programs of bilateral cooperation and by imposing broad economic sanctions on North Korea. The Obama Administration in Washington, DC accents sanctions over negotiations. Meanwhile, China is pursuing a comprehensive engagement strategy that emphasizes bilateral trade combined with extensive investment in the North Korean economy, undercutting the effectiveness of the economic sanctions that Seoul, Washington and Tokyo have put on Pyongyang. Russia also favors economic engagement of North Korea combined with cautious diplomacy.

This lack of a consensus is impeding progress toward Northeast Asia’s goal of promoting mutual prosperity. Containment as practiced by Seoul, Tokyo and Washington also perpetuates Cold War rivalries between South and North Korea and sustain the possibility of a second Korean War.

If Northeast Asia’s new consensus of pursuing peace, prosperity and stability is to continue, then it is in the mutual interest of the region’s nations, including the United States and Russia, to forge a new consensus over how to deal with North Korea. Obviously North Korea is not about to collapse politically and economically, and its succession process appears likely headed toward a peaceful transfer of power from father to son. The nations of Northeast Asia thus face a choice. They can either take the diplomatic steps necessary to reduce tensions on the Korean Peninsula, or persist in their current confrontational stance. Diplomacy would greatly improve prospects for sustaining peace and prosperity in the region. Confrontation, on the other hand, would only increase the risk of realizing the dooms day scenario sketched above.