

**A Divided Korea's Impact on Northeast Asia's
Economic Development**

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Introduction

Northeast Asia remains the only region in the world where the interests of the world's four superpowers – China, Japan, Russia and the United States – collide with one another. Yet Northeast Asia has become one of the economically most dynamic areas of the world since the Cold War's end in 1989. This impressive prosperity also is a consequence of the Soviet Union's collapse and its shift, along with China, to capitalistic economic policies and foreign policies that accent engagement and collaboration over rivalry and confrontation. Such impressive economic gains, however, would not have been possible without the shift of the United States and Japan away from their confrontational Cold War foreign policies to policies that accent diplomacy and reconciliation over containment and confrontation. Consequently for the first time in history, the world's four superpowers share common priorities in Northeast Asia. Since 1990 all four powers have pursued similar national interests in the region that emphasize sustaining political stability and peace to promote and preserve prosperity.

Important bilateral and multilateral issues still await resolution and mutual distrust persists. Japan, Russia and China continue to squabble with one another over territorial claims. China remains displeased and somewhat distrustful of Japan because of its rationalization of imperial Japan's rise as an empire at China's expense in the first half of the 20th Century. Some political elements in Japan and the United States remain dubious about China's long term intentions in the region. Small but politically influential groups of Americans and Japanese remain concerned that China's engagement of the international community is merely a temporary tactics designed to reassert China's ascendancy over the entire regions. Others believe that Russia harbors similarly intentions.

Nevertheless, the post-Cold War generation of superpower leaders has forged a new consensus that accents their common pursuit of peace, prosperity and stability in Northeast Asia. Strengthening this consensus is each government's willingness to reduce barriers to trade, the pooling of fiscal resources and the sharing of technology. These governments during the past two decades have also taken giant steps to accommodate and to promote the eagerness of private business firms to engage in joint ventures designed to enhance the region's trade and

transportation infrastructure, and to develop its natural resources. Examples of this abound as evident from the massive investment of capital by the United States and Japan, not to mention South Korea, in the economies of China and Russia to enhance their manufacturing capacities, among other things. Thousands of Chinese and Russians have and continue to study in the United States and Russia, giving those nations access to the world most advance technology. But the process is not just one way. One of the greatest and most essential undertakings in Northeast Asia is the multilateral development of Russia's oil and natural gas resources on Sakhalin Island. Without access to these vital resources, Northeast Asia's economic development and eventually the region's prosperity would inevitably decline.

In other words, the region's prosperity has greatly intensified the superpowers' economic interdependence. A reversion to Cold War style rivalry would quickly undermine their common prosperity and joint effort to develop the natural resources vital to perpetuation of this prosperity. Thus their shared goals and increasing economic interdependence auger well for the region's future both in terms of its continued tranquility and prosperity. In other words, a reversion to military and ideological rivalry, or political instability in the region would only disrupt their shared goals and common quest.

Impediments to Prosperity

Although the superpowers are making impressive progress toward resolving their differences through dialogue and have replaced their armed rivalry with joint economic endeavors, continued peace and stability in the region remains fragile. Despite the Cold War's end elsewhere in the world, the war's legacy still haunts the Korean Peninsula in the form of Korea's continuing division into two rival political camps and the tensions this rivalry nurtures. So long as this division persists, forging a durable peace in the region will remain elusive. It is this situation that makes the region's peace so fragile and its prosperity so tentative. But the negative consequences of Korea's division already are obstructing the economic development of Northeast Asia. Here will we assess prospects for overcoming the most formidable barriers to the region's continuing stability and prosperity.

The Problem of Succession

The main threat to the region's stability is the potential for political instability in the DPRK. Previously political instability in South Korea was a formidable problem because of its domination by two military dictators, Park Chung Hee and Chun Doo-hwan. But the people of South Korea have resolved this problem by establishing twenty years ago a democratic electoral process that has forged a peaceful transfer of presidential power. North Korea, however, is still striving to establish a process that will ensure the transfer of political power without sparking domestic political instability. The DPRK's founding father Kim Il Sung instituted a monarchy by designating his son as his heir. Now the son, Kim Jong Il, faces the inevitable challenge of his reign, the transfer of political power and legitimacy to one of his three sons. Several years of speculation about which of his three sons would inherit their father's power appears to have ended with the recent designate of Kim Jong Il's third son as his heir apparent.

Nevertheless, succession in North Korea persists as a potential threat to the region's stability. Having apparently resolved which son will become North Korea's next ruler, that son must now convince North Korea's most politically potent political clique, the Korean People's Army or KPA, of his legitimacy to rule. Kim Il Sung accomplished this by leading groups of anti-Japanese Korean independence fighters prior to Japan's surrender at the end of World War II. Kim's successor Kim Jong Il established his legitimacy by pronouncing his "Military First" policy which ensured that the KPA had access first to any and all of the nation's resources that it required to defend the nation. Now Kim Il Sung's grandson must also win the KPA's support to bring credibility to his designation as North Korea's ruler.

But accomplishing this task could prove more difficult for him than it was for his predecessors. Undoubtedly the KPA will cling to its nuclear weapons and ballistic missile arsenals. In the eyes of the KPA, both are essential for preserving the nation's sovereignty in the face of perceived international efforts to "strangle" the DPRK. On the other hand, Kim Jong Il's successor cannot hope to quicken the nation's economic development without gaining access to foreign capital, technology and markets. All of this is being denied the DPRK because of its persistent efforts to strengthen its arsenal of nuclear weapons and missiles. Logic and our previous albeit limited

insight into Pyongyang's domestic politics suggests that submission by Kim Jong Il's successor to pressure from the international community would convince the KPA to withdraw its support from North Korea's eventual new leader. A succession crisis could ensue, opening the possibility of political chaos in North Korea followed by possible intervention by South Korea. Where this to happen, stability in Northeast Asia would be adversely affected.

An Elusive Durable Peace

The region's peace and stability will also remain fragile so long as a durable peace on the Korean Peninsula remains elusive. so long as the United States and the Democratic People's Republic of Korea (DPRK or North Korea) are adversaries. At the same time, political instability in either half of Korea, particularly the north, could likewise undermine peace in the regions. Here we will examine prospects for both potential developments beginning with relations between the two Koreas.

North-South Korea relations continue to vacillate between rivalry and reconciliation. Today tensions between Seoul and Pyongyang are the most intense and dangerous since 1994 when North Korea reactivated its effort to develop a nuclear weapons' capability. The immediate cause of this most recent crisis is North Korea's alleged of the South Korea naval vessel the "Cheonan" in March 2010. But this incident is merely a symptom of the underlying problem – the persistent mistrust and rivalry between Korea's two governments. This is a consequence of two wars – the Korean War of 1950-53 and the Cold War. Within both societies politically potent elements disagree fundamentally over how best to deal with the other side. These elements, which exist in both Seoul and Pyongyang, use their debate to promote their political ambitions.

Generally speaking, one side, usually referred to as "hardliners," favors destruction of the other side. This was the main motive behind North Korea's effort to forcefully unite Korea in 1950. The effort's failure proved that armed destruction of the other side could never achieve national unification. Firstly, the death and maiming of millions of Koreans on both sides only further divided Korea and greatly complicated efforts to achieve national reconciliation, a fact that continues to haunt North-South Korean relations. Reconciliation in a divided Germany, despite

its long division during the Cold War, was not similarly hampered because Germans had not killed their fellow countrymen.

The Korean War also further crystallized Korea's division by convincing each half of Korea to ally with superpower rivals, i.e. the DPRK with the Soviet Union and China, and the Republic of Korea with the United States. This both intensified and has perpetuated Korea's division politically, economically and technologically.

South and North Korea nevertheless since the Cold War's end have been able to achieve periods of admirable reconciliation. First former President Chun doo-hwan's *nord politik*, a policy of engagement and reconciliation with the Soviet Union and its allies on the eve of the Cold War's end set the stage for Seoul's successful hosting of the Olympic Games in 1988. In the process, Seoul established first commercial and then diplomatic relations with most of its former adversaries except North Korea.

But then former President Noh Dae-woo adapted a similar policy toward North Korea that first yielded dialogue and then the "Basic Agreements" of 1991-92. These included a South-North Korea non-aggression pact and a joint renunciation of nuclear weapons. The United States built on this progress by pursuing its own policy of engaging North Korea, first vis a vis diplomatic dialogue and then by providing humanitarian assistance.

South-North reconciliation reached its zenith between 1998 and 2007 largely as a consequence of North Korean leader Kim Jong-il's positive and constructive response to the diplomatic and economic initiatives of South Korean presidents Kim Dae-jung and Roh Moo-hyun. Sadly this progress has largely evaporated since 2008 because of the two Korean leaders' shifts toward increasingly incompatible policies toward each other. North Korean leader Kim Jong-il's persistent pursuit of a nuclear weapons' capability excited mistrust of his regime's long term goals. At the same time South Korean leader Lee Myung-bak's reversion to a more confrontational stance toward North Korea has similarly rekindled mistrust in North Korea. Consequently, the Korean Peninsula today is poised on the brink of a third Korean War.

Meanwhile, the United States has likewise reverted to its Cold War policy of confronting North Korea with economic sanctions and the threat of armed retaliation were Pyongyang to assault

Seoul. At the same time, Japan repeatedly accents its support for Seoul and Washington's confrontational policies while maintaining its own extensive regime of economic sanctions on North Korea.

Fortunately for the region, the consensus between the superpowers favoring their joint sustaining of peace in Northeast Asia seems to be restraining all sides. Hopefully this restraint combined with changing political leadership and conditions in the concerned capitals of Seoul, Pyongyang, Washington and Tokyo will prevent armed clashes and eventually bring about a reversion of more rational policies conducive to reconciliation and collaboration.

Nevertheless, political succession in North Korea poses another threat to political stability on the Korean Peninsula. South Korea, after decades of domestic struggle between champions of democracy and military dictators, has achieved political stability by adopting a democratic electoral process to ensure a smooth succession from president to president. But Pyongyang current leader is attempting to perpetuate the monarchy that his father initiated. The first problem, designation of which of the current leader's three sons would succeed him, appears to have been resolved in favor of the youngest son. But another, potentially more serious problem looms – that of legitimacy. North Korean founder Kim Il Sung's political legitimacy was firmly rooted in his leadership of anti-Japanese Korean elements prior to the end of World War II. When his son Kim Jong Il succeeded him in 1994, the young Kim's legitimacy in both societies persist in clinging to the past rather than looking to the future and the mutual benefit