

AN OBSESSED TASK: PROSPECTS, MODELS, AND IMPACT OF KOREAN REUNIFICATION

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North Korea's continuing dire food situation and increasing dependence for survival on the largesse of the international community raises ever-more-pressing questions about whether North Korea indeed can survive. The prospect of North Korea's demise could force South Korea to make critical and urgent choices regarding how to manage Korean reunification, including the integration of North Korea into a reunified polity. With the collapse of the Berlin Wall, the possibility that a similar course of events could take place on the Korean peninsula became a major focus of attention and speculation in South Korea. Former ROK President Roh Tae Woo even ordered nine governmental bodies to prepare functional plans for managing North Korea's absorption.

However, expectations for a sudden process of reunification resulting from the collapse of communism in Eastern Europe and the Soviet Union have thus far been postponed as North Korea has demonstrated impressive staying power and capacity to expand its negotiating power during the nuclear crisis of 1994. In addition, lessons from the German experience have tempered South Korean anticipation of such an event because the costs of unification extend beyond South Korea's capacity to finance them.

Assertions that North Korea will collapse within the next few years remain widely held among Korean scholars, officials and American commanders, and even the Director of the Central Intelligence Agency.¹ And some researchers argue that the costs may be less than the benefits of reunification, as the economic gap between North and South Korea will continue to grow the longer reunification is deferred.² On the other hand, many South Korean scholars, as well as some U.S. State Department officials, argue that there is little evidence of an imminent North Korean collapse, particularly when one takes into account the *sui generis* characteristics and endurance of North Korean people, leadership, and society.³

Regardless of how or when a North Korean collapse might occur, such a great change will likely involve unexpected risks and sacrifice on the part of the Korean people and the possibility of desperate action on the part of North Korea. Although the timing of Korean reunification may be impossible to predict, the debate over how to manage Korean reunification reflects a sense of urgency, anxiety, and impatience in South Korea, the clear-cut winner of the economic and diplomatic competition on the peninsula during the past two decades.

Given its position of superiority, Seoul has taken a more assertive position in its approach to the North, exacerbating Pyongyang's concerns about the risks of being absorbed by Seoul *even following South Korea's financial crisis*. Under current circumstances, the North's long-standing goal of communizing the South is absurd on its face, and even co-existence will require great efforts as a realistic objective for Pyongyang.

Whether or when Korean reunification will or will not occur depends on a wide variety of unpredictable factors. For South Koreans, the possibility of a Northern collapse and sudden reunification remains a dream, even if the costs of reunification may turn

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1. John Deutch, Testimony before the U.S. Senate Intelligence Committee, December 11, 1996, "North Korea Collapse Predicted," *The Associated Press*, March 6, 1997.
 2. Nicholas Eberstadt, "Hastening Korea Reunification," *Foreign Affairs*, March/April 1997, p. 82.
 3. Most views about collapse came from my interviews with Korean scholars and officials in Seoul when I conducted a research in Korea from September 1996 to March 1997.

out to be a bad nightmare. For the leadership in Pyongyang, the overwhelming task will be to defy predictions that North Korea's doom is inevitable.

Prospects for North Korea's Future: Three Possible Scenarios

The future of the Korean peninsula clearly depends on whether North Korea can maintain political stability in the face of its enormous economic difficulties. Although the North Korean political leadership might be affected by current economic difficulties, it also has the capacity to survive the crisis.⁴

The North Korean economy's comprehensive systemic failure stems from the following factors: a highly-centralized managing system; a failed state-led distribution system for materials and goods; over-diversion of resources to the heavy industry sector; unnecessary "vanity" construction projects; over-dependence on Chinese and Russian energy supplies and markets; a lack of internationally competitive products available on the international markets; and obsolete technology and production capacity. The initiation of reform and economic liberalization in China and the Soviet Union has resulted in the placing of trade on a hard-currency basis, upsetting North Korea's heretofore stable energy supply and markets. The result is that many North Korean factories have been brought to a standstill. There is increased pressure on the state's hard currency and access to daily necessities and there has been a rise in North Korea's foreign debt, combined with continuous negative economic growth since 1990.

As diagnosed by South Korean experts, the North Korean economy is moribund, with no prospect of reviving industrial facilities based on Soviet designs of the 1950s and 1960s. The food crisis is simply a symptom of the failure of North Korea's socialist central agricultural planning policies; even without recent natural disasters, it is widely recognized that the North Korean people would be unable to produce enough food to attain agricultural self-sufficiency.

4. A view is shared by the director of the Institute of East & West Studies, Yonsei University; an economist of Sejong institute and a political scientist of Sogang University, Korea.

Given the mindset of the current leadership in Pyongyang, there are three possible scenarios that might lead to change in North Korea: (1) operating without significant reform measures; (2) maintaining the status quo; and (3) the possibility that a leadership transition may occur, leading to the establishment of a more reform-minded leadership. The implications of these three scenarios are as follows:

a) Open Door But No Reform

The leaders of the North are anxiously facing pressures resulting from their own structural economic failures, starkly illustrated in comparison with Chinese prosperity through reform and South Korea's economic miracle (even following the financial crisis of the past year), yet they are unwilling to take steps that might threaten the current structure of their political system.

This attitude can be discerned from the following policy adjustments and new measures adopted by Pyongyang: adoption of Joint Venture Law regulations; establishment of the Rajin-Sonbong Free Trade Zone; introduction of the "team-goal" system in the countryside which loosens centralized control over collective agricultural operations; allowance of limited food free markets; Kim Il Sung's last speech on economic development; Kim Jong Il's statement on the importance of dealing with the capitalist world market; and new courses on capitalist management and marketing at Kim Il Sung's University, as well as training opportunities abroad under the sponsorship of the World Bank. These measures fall short of major structural reform. They signal policy changes on the edges, but not at the expense of readjusting their fundamental structure or de-emphasizing ideological control such as occurred in China and Vietnam.

If Pyongyang maintains a limited opening policy—even without reforming its whole economic structure—there is a possibility of success in the near term. Such success might be underpinned by positive external developments. For instance, if Pyongyang decides to embrace Kim Dae Jung's reconciliation policy, an inter-Korean dialogue process might revive implementation of the Basic Agreement signed by the two sides in 1991.

Or, if the Four Party Talks were to make progress, there might eventually be a peace treaty between North Korea with the South and the United States. As a reward, Washington and Tokyo may normalize formal relations with Pyongyang, lifting economic sanctions, unfreezing North Korean assets in U.S. banks (\$15.45 million), and allowing Pyongyang to receive war reparations from Japan (ranging from \$ 4–5 billion to \$12 billion). With American support, the DPRK would then be admitted by Asian Development Bank, and World Bank, obtaining long-term loans for infrastructure, fertilizer, energy, and agricultural rehabilitation projects. American and Japanese businessmen might develop new investment and trade relationships with North Korea, stimulating rapid new economic growth, albeit from an extremely low base.

In addition, if North Korea abandons its belligerent policy toward Seoul, South Korean companies would be eager to enter the North for investment and co-production on commission projects. Such a partial opening policy would not resolve all Pyongyang's economic difficulties, but it might revive the North Korean economy for the time being, consolidating its internal political situation and improving its international image and environment.

b) Deadlock in External Relations/Maintenance of Domestic Status Quo

Under this scenario, it is unlikely that US-DPRK or Japan-DPRK relations would be normalized or that inter-Korean relations would improve, although Pyongyang may adopt a cooperative position with Washington in addressing certain hot issues in an attempt to avoid diplomatic and economic isolation or to attract western technology and investment.

The primary obstacles to reconciliation between the DPRK and the United States, ROK, and Japan are as follows: first, North Korea continues to doubt U.S. intentions and commitment in negotiations, perceiving that the United States may pressure the DPRK to fore-swear communism through peaceful evolution. Second, if Pyongyang signs a peace treaty with the United States and South Korea while not asking the U.S. to pull out a single soldier from South Korea, it would be a humiliation for North Korean sovereignty and the image of the Dear Leader.

Third, Pyongyang also worries that a peace treaty may perpetuate a lasting division of the Korean peninsula, a result that is perceived as disadvantageous to Korea's future reunification. Fourth, the North still desires to carry out Kim Il Sung's will to join with South Korea through confederation, an objective which may only be achieved under the premise of a progressive government in Seoul.⁵

The primary objectives of the United States and the ROK are to exert every effort to diminish the North Korean threat while not reducing U.S.-ROK military deterrence and to encourage the North to reform its system and open up to the outside world.

If the two sides stick to their respective positions, there will be no progress in Four Party Talks and there will be no basis for Pyongyang's leaders to expect massive American or Japanese assistance and investment to enter North Korea. Nor will the DPRK be able to enter the international trading market to resolve its urgent needs for hard currency, energy, and other goods.

Even if the stalemate continues, the North Korean government will remain stable, with little prospect for revolt by the people or the Korean People's Army. Since the people have virtually no knowledge of life outside North Korea, they have accustomed themselves to stringent conditions and will seek their survival and accept the fate they have been given. As with Cuba and Iraq in the 1980s and 1990s, and China in the early 1960s, where the people may complain, but will not engage in collective protest activities except in isolated cases. The collapse of former East European countries does not necessarily contain precedents for North Korea. Pyongyang and Seoul are likely to maintain a long-term cold war coexistence without any prospect for reunification in the foreseeable future.

c) Leadership Change and Indeterminate Development

A third possible—albeit unlikely—scenario may involve a leadership transition in Pyongyang and gradual change led by a more

5. Those views are expressed by Kim Byong Hong, acting director of the Institute for Disarmament and Peace; Lee Yong-Tae, director of first branch, International Affairs Institute, DPRK.

reform-minded leadership. This scenario assumes that economic and political failures of the current leadership in Pyongyang to procure foreign investment or other economic stimulus to resolve the DPRK's economic problems will lead to a rift or military coup d'état, resulting in a leadership transition in Pyongyang.

The emergence of a pragmatic and technology-oriented leadership cadre may form the core of a new collective leadership, revising economic policy on the basis of the Korean mode of socialism. Under the new leadership, the sagging economy might be jump-started and structural problems addressed. Such a new leadership may pursue a non-provocative policy of dialogue with Seoul while maintaining the division and peaceful co-existence on the Peninsula. After years of intensified contact and consistent North bound investment, a highly centralized society may gradually loosen, leading to gradual integration on South Korean terms. In the wake of these changes, there may be strong resistance towards such ideological reforms among other factions of leaders, possibly resulting in a social commotion and a large exodus of refugees.

Although the prospects for such a development are limited, this scenario forms the basis for some South Korean visions of reunification because it is the only way to imagine a peaceful unification process; therefore, it must be taken into account as one examines possible reunification models in the later part of the paper.

International Lessons for Korean Reunification

The Vietnamese, Yemeni, and German unification experiences are three historical models that have influenced Korean thinking on how Korean reunification might occur in the future. The relevant features of each experience are as follows:

a) Vietnamese Unification

North Vietnam's forceful absorption of South Vietnam in the mid-1970s was a result of political and military weakness among the South Vietnamese leadership and the absence of a strong external mechanism for guaranteeing peace. With *realpolitik* thinking at

its climax, no Vietnamese would let the chance for unification slip when the time was ripe, especially when it appeared that there was no hope for a peaceful unification between two hostile political systems. Blind compliance with the Paris Peace Pact and lasting separation would not serve the interests of the whole nation. Hence, there was no moral obligation that constrained the actions of the North Vietnamese leadership. For the two Koreas, unification by force may not be excluded from consideration as a last resort if there is a chance for political and military victory without heavy losses.

b) Yemeni Unification

The unification of Yemen is the only example of a peaceful and evolutionary integration between two states with conflicting ideologies. Unfortunately, this case was not successful as it was interrupted by a civil war in 1994, four years after the Yemeni merger. The final outcome involved military conflict.

Despite its failure, Yemeni unification set some good precedents and provides considerable application for Korea: the two Yemens had already developed more than ten years of economic and social cooperation since 1982. By 1988, they jointly agreed to allow citizens and goods to flow freely between the two states. They expanded economic cooperation, demilitarized the border by re-deploying their respective troops, set up a joint committee to manage unification issues and to draft a new constitution, and founded a transitional government led by a five-member presidential commission with a Northern president and a Southern vice president. The top elite on both sides participated in a thirty-nine-member cabinet and other high-level meetings.

From the standpoint of political theory, this model is a type of functional integration, which has the advantages of being relatively efficient and less costly. Nevertheless, any analysis of this formula should not neglect two important points:

- 1) Prior to unification, the Aden regime had denounced Marxist ideology and was on the verge of collapse after a bloody internal distur-

bance, while the Soviet Union was losing its influence by 1986, a decisive factor in favor of the advancement of final integration in 1989.⁶

2) The complex, heterogeneous ideologies, differing tribal interests and affinities, and unresolved historical grievances among Yemeni leaders were not resolved as part of the unification process, giving rise to political uneasiness and eventual renewal of confrontation. The final result of Yemeni reunification was that ideological enmity and estrangement between the two separated groups would become a towering barrier to integration of the two relatively equivalent entities. Since the inferior and formerly Marxist South Yemen couldn't co-exist with the North, how will the two Koreas—with much strongly distinct ideologies and beliefs—cooperate on the basis of fundamental trust in an integrated transitional political leadership mechanism, even during a phased reconciliatory and exchange period?

c) German Unification

German unification had two primary characteristics of particular relevance to the Korean situation: it was a one-sided absorption and it was a radical process. Critical factors included West Germany's powerful economic capability, full political and economic liberation on the East German side, long-term social and cultural exchange and mutual understanding between the two Germanies, and the relative demographic ratio advantage held by West Germany.

Without these fundamental strengths, West Germany would have been unable to manage the process of integration with East Germany. The German decision in favor of rapid integration hinged on unavoidable circumstances including internal political pressure, a huge influx of East German refugees, and other uncertain external variables. As a consequence, the West German people took on tremendous burdens, including years of high investment in the East through bond-issuing and deficit spending accompanied by high interest-rates and high taxes. These burdens were accompanied by a rising unemployment rate combined with a sharp drop in industrial production in East Germany.

6. Thomas H. Henriksen, "Political Leadership Vision, and Korean Reunification," in *One Korea?—Challenges and Prospects for Reunification*, edited by Thomas H. Henriksen and Kyongsoo Lho (Hoover Institution Press, Stanford University, 1995), p.65.

The German model is clearly the most desirable from a South Korean perspective since it represents a peaceful unification in which capitalist ideology prevails clearly over the socialist system's inefficiencies. However, South Korea's capacity to manage a costly unification is less favorable than that of Germany. For example, the population ratio between East and West Germany was one to three, but in Korea it is one to two. The per capita income of GNP in Germany was one to four, but in Korea it is more than one to seven.⁷

Implications of Reunification Proposals by the Two Koreas

Both Pyongyang and Seoul have put forward various proposals concerning reunification, created both to satisfy their earnest intention to achieve national unification and to further propaganda aims by emphasizing the unification task as a national policy priority while presenting a positive face to the international community. However, both sides understand quite clearly that unification is unlikely to be accomplished through these competing initiatives.

Kim Il Sung initially put forth his confederation system proposal in the 1960s, subsequently presented as the proposal for a "Confederal Republic of Koryo" on June 23, 1973, as part of a Five-Point Program for Unification. The proposition was further developed as the "Democratic Confederal Republic of Koryo" (DCRK) proposal in October of 1980, and explained in detail in Kim Il Sung's Ten-Point Program for the Great Unity of the Korean People for Unification in 1993.

The contents of the proposal suggest that the North has admitted the objective existence of two distinctive political systems on the peninsula. Since these different systems cannot be merged via free election or unified by an internal revolution or war, the only possible provisional solution for this divided-nation is symbolic unification through confederation.

Setting aside the South's distrust of the North's motives and any assessment of whether the North's plan conforms to practical

7. Jin Young Bae (ed.), *Two Years Since German Unification: Economic Evaluation and Implications for Korea*. (Korea Institute For International Economic Policy and Friedrich Ebert Stiftung, p.31 1993.) This balance is less dramatic following Korea's currency devaluation in late 1997.

realities, the confederation arrangement may be viewed as a plan that on the one hand, retains the two sides' current powers, interests, and system intact, and on the other hand, embodies the yearning of one unified country, creating a good environment for reunification at an appropriate point in the future.

Kim Il Sung's motivation in consistently putting forward this proposal may be based primarily on the urgency of unification he must have felt as the leader of the first generation Korean revolutionary generation. In putting forth his 1993 Ten-Point Program, Kim must have been concerned that a German-style absorption process might happen in North Korea in face of South Korean diplomatic successes of the late 1980s, the Soviet Union's disintegration, and China's reform-oriented, pragmatic foreign policy.⁸

The core structure of the DCRK scheme consists of two organizations: a Supreme National Confederal Assembly and a Confederal Standing Commission. These two bodies are mandated to discuss and decide state affairs, foreign policy, defense, and other issues of common interest, supervising policy implementation. In addition, the confederal state may establish a Combined National Army in addition to respective local armies.

While Kim Il Sung's proposal may capture the ideal conception of integration between two systems, it contained inner contradictions and did not conform to the realities of the Korean situation. First, while each side may maintain respective political, economic systems and external treaty arrangements, it stipulates a unified domestic economic policy and foreign policy, and even a combined army, despite the continued existence of divergent nation-building principles, goals, or ideological trends.

Second, as a one-step approach unaccompanied by any process of adaptation and trust-building, it is inconceivable that these two belligerent countries would come to co-exist congenially under one roof overnight, particularly given the North's demands for withdrawal of American troops from the South.

8. *Peace and Cooperation*—White Paper on Korean Unification 1990. Ministry of National Unification, Republic of Korea, p. 77.

Third, the confederal regime proposed as part of the DCRK formula implies a federal rather than a confederal government. Even if it is a real confederation, it is impractical based on the historical experiences with confederalism in America, Germany, Egypt, and Syria.⁹

South Korea's formula for a Korean Commonwealth was put forward first by Roh Tae Woo in 1989, and revised by his successor Kim Young Sam in 1993. The concept of commonwealth is neither a federal system nor a confederal arrangement, but a far looser apparatus that almost follows the example of the European Community and British Commonwealth, in which the people inherit or share common values, traditions, lifestyles, and social practices, although they are presently separated by divided systems of national sovereignty and self-determination.

In comparison with the North's proposal, the South's formula is more flexible and pragmatic. First, the Commonwealth serves as a formula through which the depth of integration may be adjusted according to the quality of inter-Korean relations, rather than moving beyond the practical realities of the relationship. The Commonwealth formula provides security assurances for incumbent state power while creating a platform for projection of influence across the Demilitarized Zone and preparing for unification by absorption.

Second, by taking into account long-time hostility and distrust, the model foresees a transitional process for exchange and reconciliation prior to unification instead of placing it after integration, as is the case with Kim Il Sung's Ten-Point Program.

Like other proposals, the Commonwealth arrangement is not perfect because it is ultimately unrealistic. As long as opposing beliefs and goals are pursued by the respective regimes, there is no hope for unification in a real sense, regardless of how well the two Koreas are able to co-exist. The development of normal exchanges between the two Germanies in the 1970s and 1980s had no direct

9. Dieter Blumenwitz, "The Political and Legal Process of German Unification and Its Implications for Korea," see *German Unification and Its Lessons for Korea*, edited by Ku-Hyun Jung, Dalchoong Kim, Werner Gampel, and Gotthriedkarl Kinderman (Institute of East & West Studies, Yonsei University, 1996), p. 69.

function in promoting unification, but they were a time bomb leading to the eventual collapse of the Berlin Wall.

The most unacceptable aspect of the Commonwealth formula is that the final stage of unification is envisaged to occur via a free general election. But since the South has twice as many voters, this formula leads to *de facto* absorption, an end point that the North will never accept voluntarily. Moreover, the North will not be able to accept a process conducted on the basis of principles of democracy and liberty, which are contrary to the North's fundamental views. Other reasons for the North's opposition are that any initiative arising from the South is seen as a propaganda maneuver and that the Commonwealth is not a nation-state in any real sense, thus prolonging the time for reunification and permanently legalizing the division.

A Likely Approach to Reunification

The Korean people may have to wait a much longer time than most political scientists might imagine before the time is ripe for reunification. Neither Roh Tae Woo's nor Kim Il Sung's proposals are panaceas for curing the towering obstacles blocking Korea's reunification. The only two roads leading to Korean reunification are war or collapse and absorption. Currently, the latter appears more likely, but will probably not occur within the next ten years.

However, realists note that no one is able to preclude the possibility of an accidental incident that might lead to instability in North Korea. Some South Koreans assume that if an unstable situation develops in North Korea, South Korea may adopt measures to gain the upper hand in pursuing security and eventual reunification in the event that an opportunity arises to achieve reunification. In this case, the question will be how rapidly should the reunification process proceed.

The idealist approach is to pursue a gradual process in which the South may encourage the North's incumbent government to perpetuate its regime or to adopt a pro-Seoul stance so that a gradual integration process ranging from five to twenty-five years may occur. The North might gradually transform its political sys-

tem and economic structure during this period into a democratic political structure with a free market economy, with the assistance of technological assistance, reform guidance, and investment from South Korea.¹⁰ As part of this gradual process, travel between North and South Korea would be allowed, but people would not be allowed to reside away from their hometowns without permission from both sides.

As the North's industrial foundation is solidified and the people's living standards are elevated, the North's economic ownership, financial, educational, social, and medical systems, worker salaries, management style, and cultural identity might approach the level of the South by degrees. Simultaneously, the North Korean army would be dissolved in a phased process. This scenario provides a cost effective and gradual vehicle for absorbing the North without the shocks that a sudden integration policy might entail.

A more realistic view is that if the situation spins out of control in North Korea and its people flood to the South across the DMZ, the most pressing task for the South Korean government will be to assume responsibility of keeping order and providing massive relief for refugees. No one would dare to shoot fellow countrymen from the North, committing atrocities just to maintain the border intact. In fact, there may be no other alternative but to absorb the North immediately to halt disorder and control population movements regardless of the high costs and hardship the South will entail in this case. This is precisely the situation West Germany faced with East German refugees in 1989.¹¹

But will Seoul face a wave of refugees in the wake of a collapse in the North? When one considers the countless mines and heavy armed forces deployed along the Demarcation Line, one might presume that refugees are least likely to cross the DMZ. Instead, China

10. White Paper: *Peace And Cooperation Korean Unification*, p.79. A typical view, I got was expressed by Professor I. D. Kang in 1996, then the Director of the Institute for Asian Studies, and later assuming the Minister of National Unification Ministry, Korea from February 1998–May 1999.

11. There are a lot of scholars supporting this argument, which is also reflected in a paper "German Lessons for Managing the Economic Cost of Korea Reunification" by Jongryon Mo, in *One Korea?—Challenges and Prospects for Reunification*.

and Russia may be better refugee destinations than South Korea, which is not a paradise in the minds of many North Koreans who—unlike the East Germans who had gained extensive knowledge of standards of living in other parts of the world by watching West German television programs—are isolated from any understanding of the real conditions on the other side of the DMZ.

If any new government in Pyongyang is able to provide sufficient food, daily-necessities, order, and improved living standards, most people in North Korea may choose to remain where they are. In this regard, appropriate intervention policies and timely assistance might avoid the type of pressure that resulted from a rapid German integration process accompanied by huge financial burdens and a stagnant economy.

Proponents of rapid Korean reunification, of course, have other reasons to argue that the longer the time for separation, the more likely uncertainties will emerge and the higher the costs of a drawn out process may be. Furthermore, North Koreans may cry out with accusations of inequity, accusing Southerners of selfishness and snobbishness in treating North Koreans as second-class citizens compared to the relatively high standard of living in the South. At the same time, the North's relatively high growth rate in the context of economic reforms and convergence with South Korea will more likely enable the North to catch up with the South's economic level of development. Such conditions will both narrow the economic chasm between North and South and encourage quick unification.

However, if a German-style unification occurs, the South government will be forced to administer extreme shock therapy to facilitate the North's economic and social transformation. The bulk of the unavoidable costs of financing the North's integration will certainly be swallowed up by sharp wage rises designed to counter labor mobility. In addition, subsidies will be necessary for unemployment subsidies required as a result of privatization and the scrapping of decrepit production facilities.¹²

12. Nicholas Eberstadt, "Hastening Korean Reunification," *Foreign Affairs* 76:2 (March/April, 1997), p. 82.

In turn, workers in South Korea would find their wages frozen and the South Korean government will have to finance reunification costs by issuing high-revenue, miscellaneous bonds and through deficit spending. Meanwhile, the Central Bank will have to pursue a stringent monetary policy with higher interest rates, which could lead to a sharp decline in industrial production and weak competitiveness of foreign trade, a lower per capita income and a rising unemployment rate. In addition, possible inflationary pressure may arise from an equal currency union, burdens that South Korea simply cannot afford under current circumstances.¹³

If a gradual reunification process proceeds, North Korea may have to pursue a reform process analogous to the Chinese experience in order to achieve convergence with the South. Such a reform process may be halting and unpredictable, depending on political developments between the two Koreas. However, the initial stages would include broad agricultural reforms, including recognition of family ownership of local land plots, and the development of village-township enterprises and joint ventures for the sale of farming tools and fertilizers.

In addition, required market and price reforms would include liberalization of the distribution and grain purchasing system implementation of market and price reforms, liberalization of consumer goods sales and public utilities, and implementation of social relief insurance and welfare reform, including the establishment of banking and telecommunications services, communications, infrastructure, and development of small and medium enterprises in sectors that can serve as a base for production of goods for export, most likely financed by tie-ups with South Korean firms.

In the second stage of such a reform process, social-relief and insurance systems will have to be established and re-education and occupational training mechanisms created. In addition, restrictions on mobility must be lifted for purposes of resolving unemployment problems without igniting destabilizing population grows. Parallel

13. Michael Krakowski, "System Transformation and System Integration in East Germany and Eastern Europe: Some Lessons," in *Two Years Since German Unification: Economic Evaluations and Implications for Korea*, edited by Jin-young Bae, Korea Institute for International Economic Policy and Friedrich Ebert Stiftung, 1993, p. 25.

to the privatization process, it is likely that there will be a variety of ownership systems and modes of employment, such as individual contract or collective ownership systems, equity holdings companies, and joint, cooperative, and solely foreign-owned ventures.

During this period, political liberalization would also occur, including lifting of any bans on formation of independent parties, associations, trade unions, law firms, or press. A schedule for election of national and local-level governmental officials would be set up and civil servant recruitment would be extended to North Korea through open and fair examination. In addition, independent legal institutions should be established.

In the last phase, the two Koreas would eliminate all custom tariffs and the currency would be unified into a single unit. At this stage, the North Korean army should be demobilized and a Council should be founded to draft a unified constitution and to establish general elections following the signing of a reunification treaty. For most of the main parties, elite figures in the North would merge with counterpart parties in the South, and presidential candidates should be chosen from each unified party in the South.

During the whole process, the South should continually infuse required capital into the North through the Unification Fund and Trust Foundation, ODA programs, and encouragement of private investment. Furthermore, the South should dispatch a large quantity of experts, professional teachers, skilled workers, and technicians to the North to map out economic policies, train workers and civil servants, and manage personnel. In turn, Northern officials, experts, technicians, and workers should have field trips to the South. If such a gradual process of Korean integration leading to reunification can be achieved, it would be unprecedented and highly efficient, possibly benefiting both North and South Korea and avoiding major economic shocks to the extent possible.

The Reunified Korea: A Medium Power Among Great Powers

While the Korean peninsula has been divided, the two Koreas were unable to pursue policies in which unified state interests were paramount. Both Koreas have been constrained continuously in the

formation of their foreign policies by the threat of imminent military confrontation from a sworn enemy. National strength was divided, limiting the opportunity to play an active role in regional affairs.

Following Korean unification, the strategic concerns of a unified Korea may be expressed in a more coherent and powerful manner. One result will be that long-suppressed interests and regional problems may re-surface. A unified and self-confident Korea might alter the Northeast Asian geo-strategic landscape accordingly, despite its small size. In terms of its unified military strength (possibly as a nuclear power), and economic capacity, Korea would hold a respectable and possibly commanding position as a middle power: South Korea is an OECD member, the 13th largest trading power, the 11th GDP ranking, and the 30th per capita income ranking in the world (although the latter figure may slide back at the start of unification).

The first priority of a unified Korea will be to guarantee its security and survival as a smaller nation surrounded by big powers. As a victim of the struggle among great powers in the late 19th century and as a former tributary of the Chinese Empire that also suffered colonization by Japan, a unified Korea will not be able to simply set aside its historical legacy. Complex attitudes towards neighboring nations, formed by the historic legacy of humiliation and its fragile geographic location, will have an unavoidable influence on its strategic orientation and defense policy-making in the future. However, the unified Korea will no longer be a Hermit Kingdom or a third-class country. Instead, its economic development level has surpassed that of China and trails just behind Japan.

The second priority of a unified Korea will be to pursue the ambitious goal of becoming a member of the G-7 (Group of Seven) club of industrialized nations. A unified Korea will take its place as an important medium power with a modern blue-water navy capable of projecting power in East Asia. Some prideful South Koreans hold that their national position should be reevaluated and placed on a par with all the surrounding powers.¹⁴ The combined

14. This opinion is widely shared by many common people, officials as well as scholars, but is also criticized by others in informal comments, writings, and public speeches. The most recently argument occurred in the process of South Korea's being admitted into the OECD in Nov. 1996.

feeling of historical humiliation and powerful aspirations for the future will certainly heighten the nationalistic fervor as unification is finally realized.

China, Russia, Japan, and the United States have not seriously taken Korea's interest, role, or views into account as they have pursued regional foreign policy objectives through their bilateral triangular, quadrangular relations. Now they will have to re-consider Korea's propensity as a large power, its policy positions and subtle influence, and even try to woo Korean support on certain controversial issues. It is undeniable that the Korean reunification will influence the four big powers to varying degrees.

The United States: The Paradox of Managing a Strategy Toward Korean Reunification

Korean unification is likely to present the United States with two primary challenges. First, a unified Korea will no longer see itself as an honest small partner or ally of the United States, and will no longer be compelled to follow every single policy position taken by its "big brother." There is likely to be more tension, backbiting, and sharp criticisms between these two partners. A unified Korea may even take independent actions in accordance with its own principles and interests in some areas formerly defined by traditional collaboration. Second, the dissolution of the North Korean military threat will erode the rationale for the continued stationing of U.S. troops on the Korean peninsula, with criticisms coming from both the Korean and the American public. Past inappropriate behavior, arrogance, crimes, and regulation violations on the part of the U.S. military forces in Korea will no longer be treated lightly by the host government, setting off anti-American sentiment and demands for U.S. troop reductions or even a complete withdrawal. It is inevitable that the United States military will have to transfer operational control of Korean forces permanently to Korean authority and vacate the site of the Eighth Army Headquarters in Yongsan to the Seoul Metropolitan government.

If the U.S. forces are forced to leave the Korean Peninsula, U.S. influence as a stabilizing force in this region will be sharply cur-

tailed following the loss of bases in the Philippines in the early 1990s, undermining its East Asian strategy as a result of forced reductions and withdrawals.

The United States may also worry about the "Finlandization" of a unified Korea or even the possibility that a unified Korea may adopt a pro-China policy. Such a concern stems from the fear that Beijing might restore its traditional dominance over the Korean Peninsula in order to offset the perceived military threat long posed by U.S.-ROK security alliance. Such developments would alter considerably the advantageous position the United States has long enjoyed in the region.¹⁵

The other worry is that a unified Korea may inherit North Korea's nuclear capabilities. If a unified Korea decides to acquire a long-considered nuclear deterrence against surrounding nuclear powers, such an action would contradict American non-proliferation policies and trigger a new round of tension over nuclear issues.¹⁶

Japan's Attitude: An Unfavorable Strategic Alteration

In the five decades following the termination of World War II, as a vitally strategic area, the Korean Peninsula has long been viewed by Japan both as a buffer zone between China and Japan, and a potential springboard for both Chinese and Japanese military expansion.

The impact of Korean unification on Japan would be significant. A unified Korea may represent a large military force with heavy offensive and mass-destruction weapons such as fighters, navy vessels, and potential nuclear and missile threat. The consolidation of Korean power might tilt the balance of power in this region by

15. Edward A. Olsen, "Korea's Reunification: Implications for the U.S.—ROK Alliance," in *One Korea?—Challenges and Prospects for Reunification*. Also see Yong-Sap Han of the Korean National Defense University, "South Korea's New Security Strategy in the 21st Century: Strategy of Cooperation and Conflict," a paper prepared for the International Conference on International Security Environment in Northeast Asia in the 21st Century and Korea's Security Strategy, June 9–10, 1997, Seoul, p.4.

16. C. S. Eliot Kang, "Korea Unification: A Pandora Box of Northeast Asia?" *Asian Perspective* 20: 2 (Fall–Winter 1996), p. 24.

driving a new arms competition if Japan felt it were falling behind Korea in these areas. In turn, Japan may feel that it must accelerate its pace of military modernization, openly revising its defense posture. Second, Korean nationalism may lead to renewed conflict with Japan over long-standing historical disputes, aggravating Japanese right-wing groups and damaging the normal bilateral relations between Tokyo and Seoul.

In considering the historical close ties between China and Korea,¹⁷ Japan has some anxieties over the possibility that one day China will expand its influence in the peninsula, forming a threat to Japanese sea lanes of communication while Korea takes advantage of Chinese power to force bilateral concessions from Tokyo.

Some Korean scholars have indicated a preference for a post-reunification policy that maintains independence, neutrality, and equidistance, leaning neither toward China or Japan.¹⁸

Russia: A New Beginning in Relations with the Korean Peninsula

Russia is the power least threatened by Korean unification because it has already lost its traditional influence and position in the Peninsula since 1990. As a result of the worsened relationship between Moscow and Pyongyang in the early 1990s, Moscow has virtually been deprived of significant involvement in Korean affairs, as Seoul has also not appreciated Moscow's influence given its relative diplomatic weakness in Asia following the break-up of the Soviet Union.

However, Russia might regain some of its lost influence in the peninsula following Korean reunification as Korea may seek ways to constrain China and Japan's military competition by turning to Moscow.¹⁹ Meanwhile, Russia would welcome a non-nuclear, uni-

17. Hideshi Takesada, "Current Situation in the Korean Peninsula and Japan's Roles—Options For Change," a paper presented at the International Conference on Korean Peninsula & the Northeast Asia Security, Seoul, Institute of Foreign Affairs and National Security, 26–27 November 1996.

18. Duk Min Yin, "Korean Diplomacy in the Transitional Period," *World Weekly* (Japan), May 14, 1996.

19. C.S. Eliot Kang, "Korean Unification: A Pandora's Box of Northeast Asia?" p. 29.

fied and stable Korea to serve as a counterweight against potential Chinese or Japanese expansionism.²⁰

The geographic distance between two countries will become shorter with the removal of barriers to direct transportation across the Korean Peninsula. The plan to construct a natural gas pipeline from the Far East of Russia to Korea would be more easily realized, and a joint development program in Siberia might also be implemented.

With the end of military confrontation on the Korean Peninsula, a unified Korea may seek to diversify its military acquisitions to avoid over-reliance on the United States, a situation that might also benefit ties between Russia and a unified Korea.

China: Facing a New, Uncertain Neighbor

Many security experts believe that of the four major powers, China is the most unwilling to accept Korean unification, given that a unified pro-U.S., capitalistic Korea would directly border China. While that argument may have some justification, all the neighboring countries will naturally face the need to adjust policies on the basis of the altered situation, regardless of ideological considerations or expectations regarding the preferences of the new nation.

China would be influenced by the new environment in several significant ways. First, China has long played a unique role and has held a special position vis-a-vis the resolution of inter-Korean tensions through its own diplomatic activities. Following Korean unification, China's diplomatic leverage on the Korean Peninsula will naturally be reduced, as it will no longer have an international role to play in managing inter-Korean differences.

Second, there will no longer be any buffer zone between China and potential military adversaries such as the United States and Japan, not to mention Korea. The adjustment in the composition of strategic power will be disadvantageous to China regardless of

20. Andrei V. Kortonov, "The Northeast Asia Policy of Russia in the 21st Century," a paper prepared for the International Conference on International Security Environment in Northeast Asia in the 21st Century and Korea's Security Strategy, June 9-10, 1997, p. 12.

whether the United States continues to maintain a military presence on the Korean Peninsula. It may be expected that American military surveillance in the vicinity of China's northeastern regions will be felt more directly in the absence of the North Korean buffer.

Third, there is the likelihood of renewed conflicts between China and a reunified Korea over territorial issues that had earlier been successfully resolved by Zhou En-lai and Kim Il Sung. Unified Korean leaders may challenge historical precedents, including the Second Border Survey and Demarcation carried out jointly by the Qing and Chosun Dynasties in 1887 or the China-Korea Tu-men Border Treaty signed between the Qing Dynasty and Japan in 1909 in order to press their claim for full sovereignty over *Tianchi* (or Heaven Lake, *Chonji* in Korean), reputed to be the birthplace of Tan'gun, the mythical founder of the Korean race. Such territorial demands by a unified Korea may extend so far as to include the entire 42,700 square kilometer area of the Yanbian Korean Autonomous Region beyond the Yalu River, which is inhabited by over 0.85 million ethnic Koreans and 1.35 million of other nationalities.²¹

The South Korean National Assembly adopted a resolution in 1984 sponsored by fifty-four members entitled "Re-confirmation of the Ownership of Mt. Paektu," later shelved by the Foreign Affairs Committee of the Assembly out of consideration for relations between China and North Korea. The territorial issue may emerge as an important diplomatic negotiation topic following Korean unification,²² and could become a subject of controversy if the two governments fail to control ultra-nationalist feelings and fail to adopt an attitude of realism, respect for history, and willingness to accept the status quo rather than pursuing narrow national interests.²³

In other respects, unification will provide great dividends to China with the removal of a source of tension and the opportunity

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21. Yang Zhao-quan, Sun Yu-mei, *China-Korea Border History* (in Chinese), Jilin Cultural History Press, p. 535; Lee Ki-hong, "The Scarred Past Should be Cleared" (in Korean), *East Asia Daily*, Aug. 27, 1992.
 22. Yang Tai-jin, "North Korea, Communist China Border Conflict—A Historical Survey of Korean-Manchurian Border" (in Korean), *North Korea*, May 1979.
 23. A high-level official of Korean Foreign Ministry assured me that Korea will respect the status quo of China-Korea border before it reaches a new agreement with China through peaceful negotiation.

for renewed commercial benefits. A unified diplomatic environment will free China from the difficulties of managing certain contingencies which have required a subtle balanced position vis-a-vis the two Koreas. And the Tumen River Development Project and North-east Asian economic cooperation will be facilitated following Korean unification.

Conclusion

Korean reunification is unlikely to be achieved in the foreseeable future; any policy that rests on assumptions that North Korea will collapse easily or imminently is dangerous. Precedents found in the international experience of divided nations suggest that systems with conflicting ideologies cannot be merged peacefully into a lasting unitary governmental structure. In the case of Korea, unification by absorption on the basis of a single ideology seems more likely than the coexistence of two ideological systems as part of a unitary governmental structure. The impact of Korean unification on the regional structure of international relations will be mixed and uncertain, but the achievement of Korean reunification need not affect the stability of the region in any significant way. When the time for unification is ripe, the four powers will have no choice but to accept such a process regardless of their own anxieties and adjust to the new situation pragmatically without regard to narrowly selfish interests.²⁴

Acknowledgment

The author would like to express his deep gratitude to Mr. Scott Snyder, the representative of the Asia Foundation in South Korea, for his help in revising this manuscript.

24. Nicholas Eberstadt, "Hastening Korean Reunification," p. 83.