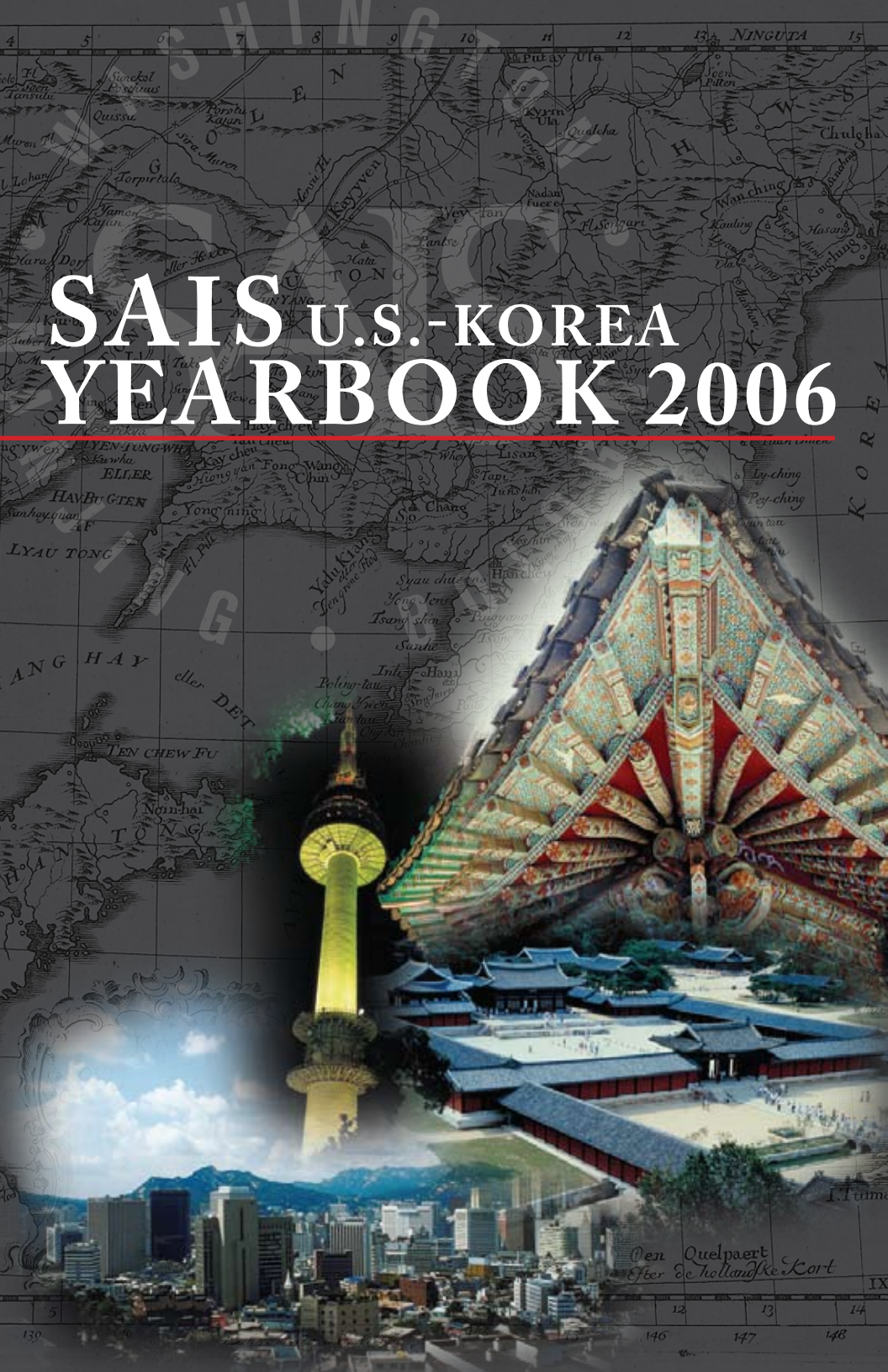
SAIS U.S.-KOREA YEARBOOK 2006



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ACKNOWLEDGEMENTS

Don Oberdorfer
Chairman, U.S.-Korea Institute at SAIS

The year 2006 was a landmark in the development of Korea studies, research, and outreach at the Paul H. Nitze School of Advanced International Studies (SAIS). In September both the U.S.-Korea Institute at SAIS and a Korea Studies Program were established at SAIS. The Institute aims to increase information and understanding of Korea and Korean affairs in the United States, especially in the Washington, D.C. area, by sponsoring courses, fellowships, research, and outreach activities. The Korea Studies Program is an approved academic concentration at SAIS, enabling students to major in this important discipline.

As part of the new Korea program at SAIS, a course was also introduced for the fall semester 2006: "The Two Koreas: Contemporary Research and Record." SAIS students researched current issues in U.S. relations with North and South Korea under the direction of David Straub, a former director of Korean affairs at the State Department. In addition to conducting numerous interviews of U.S. government officials and other experts on U.S.-Korean relations in Washington, D.C., the students traveled as a group to Seoul in November to receive briefings from and conduct interviews with Korean government officials, scholars, and politicians. This inaugural edition of the U.S.-Korea Yearbook, covering the chief security, economic, and cultural issues in relations between the U.S. and the two Koreas in calendar year 2006, is the product of their research.

The U.S.-Korea Yearbook for 2006 could not have been produced without the help of many individuals and institutions. While there are too many to mention all, we would like to note in particular the generous financial contribution of Mr. Spencer H. Kim, Chairman of CBOL Corporation, which enabled the students to make their research trip to Seoul. We are very grateful for the support of South Korean Ambassador to Washington Lee Tae-sik and American Ambassador to South Korea Alexander Vershbow, not only for the forewords they contributed to this yearbook but also for the numerous interviews granted by their staff members to the student-authors of the yearbook.

In Seoul, the SAIS faculty and students were the guests of Seoul National University's Graduate School of International Studies (GSIS). We would like to thank GSIS Dean Bark Taeho and Associate Dean Paik Jin-Hyun for making the SNU guesthouse available as student lodging, for the dinner they hosted for the SAIS students, and especially for arranging opportunities for the SAIS students to meet their GSIS counterparts to share the results of their research projects. Others who provided hospitality in Seoul included the SAIS alumni association in Korea, General (ret.) Park Jun Seong, and Mrs. Choo Young Bok.

In Seoul the students were honored to be able to interview former foreign ministers Yoon Young-kwan and Han Sung-Joo (who also hosted a luncheon for the students). At the National Assembly, senior parliamentarians Chang Young-dal and Chung Eui-yong briefed the students on Korean policies and politics and generously answered their questions. Dr. Koo Heekwon, chief of staff of the assembly's foreign affairs committee, arranged for the students to tour the National Assembly and receive a briefing on its history and work. We are grateful also for the many briefings and interviews provided by senior officials of the Korean Ministry of Foreign Affairs and Trade, Ministry of Unification, Ministry of National Defense, Korea Institute for International Economic Policy, United States Forces Korea, and the U.S. embassy in Seoul.

We hope you will find the 2006 U.S.-Korea Yearbook an aid to understanding the complex but vitally important U.S.-Korean relationship and a valuable record of trends and developments. As a continuing project, the course for fall 2007 will be led by Professor J.J. Suh, the newly appointed Director of Korea Studies at SAIS and Academic Advisor to the U.S.-Korea Institute. With many major developments having already occurred in U.S.-Korean relations thus far in 2007, including renewed progress in the Six-Party Talks on ending North Korea's nuclear program, and with a South Korean presidential election scheduled for December, the 2007 U.S.-Korea Yearbook will again cover critical developments in U.S.-Korean relations.

FOREWORD
2006 SAIS U.S.-KOREA YEARBOOK

Alexander Vershbow
U.S. Ambassador to the Republic of Korea
August 2007

Congratulations to the SAIS and especially to the students and faculty of the U.S.-Korea Institute on the publication of the first yearbook. As U.S. Ambassador in Seoul for the past two years, I know how rapidly things change in Korea. Your decision to publish a U.S.-Korea Yearbook will be very helpful to all of us involved in the relationship – diplomats, journalists, scholars and, of course, anyone else interested in learning more about the dynamic relationship between our two great countries.

The United States' alliance with the Republic of Korea is now well over a half-century old. This is an enduring alliance, because it is supported by the values that both our two nations cherish: democracy, freedom and market economics. Like all healthy relationships, this too is an alliance that adjusts and changes with the times.

When I began my posting as the U.S. Ambassador to the Republic of Korea in the fall of 2005, the Six-Party Talks had just produced the breakthrough September 19 Joint Statement in Beijing, but the North Koreans soon afterwards began a boycott of the negotiations that would last more than a year. Despite repeated efforts by the United States and South Korea to restart the talks, the North Koreans took increasingly provocative steps, culminating in the July missile launches and October nuclear test. It was, therefore, crucially important for the U.S. and ROK governments, along with other partners in Six-Party Talks, to present a firm response to North Korea. This included support for sanctions under UN Security Council Resolutions 1695 and 1718 and, in the ROK case, suspension of food aid to the North. Our efforts paid off, because by the end of the year, the North was looking for a way back to the Talks, and on February 13, 2007, the parties reached an agreement on "Initial Actions" on the path to denuclearization. Pursuant to that agreement, North Korea has shut down the

Yongbyon nuclear facility, and the Six-Party Talks are actively addressing next steps toward the full denuclearization of the Korean Peninsula.

On alliance issues, we grappled with some difficult and politically controversial issues in 2006, but we also saw important progress in the first half of 2007. During 2006 and into 2007, Korea continued to contribute the third-largest contingent of troops to the coalition in Iraq as well as a contingent in Afghanistan, and made the decision to send peacekeeping troops to Lebanon. On the Peninsula, our two countries reached an agreement in February 2007 to complete the transfer of wartime operational control (OPCON) to the ROK in 2012, and we jointly committed to accelerate work on the relocation of U.S. forces to Pyeongtaek and the return of closed camps and bases.

The year 2006 saw the launch of negotiations on the Korea-U.S. Free Trade Agreement (KORUS FTA). While the talks triggered some opposition in Korea (and in the United States), the senior leadership in both countries remained committed to this agreement and convinced of the benefits it will bring to both the United States and Korea. Our negotiators made steady progress over eight rounds of talks, and concluded a far-reaching agreement that was signed on June 30, 2007. The KORUS FTA, the biggest U.S. trade agreement with any Asian country and our biggest trade agreement since NAFTA, will give a huge boost to trade and investment in both directions and create hundreds of thousands of new jobs. It will also cement and strengthen the partnership between our two countries in the economic area, just as the 1953 Mutual Defense Agreement bound us together in the security field. The agreement must now be approved by the U.S. Congress and the Korean National Assembly.

Of course, much work remains to be done to maintain the momentum achieved as of mid-2007. But I am optimistic, because I have seen the commitment of our countries' leaders to work together in meeting every challenge and strengthening the relationship between our nations.

I find it especially fortuitous that you, the members of the SAIS U.S.-Korea Institute Korean Program's inaugural class, had the opportunity to experience and document a pivotal year in U.S.-Korean relations, and to engage directly with government officials and leading experts in Seoul and Washington. You can be confident that the work represented in this yearbook will help future generations of scholars and policymakers to better understand what makes the United States' relationship with the Republic of Korea such a special one.

FOREWORD
2006 SAIS U.S.-KOREA YEARBOOK

Lee, Tae-sik
Republic of Korea Ambassador
to the United States,
August 2007

The calendar year 2006 was a true milestone in the history of Korea-U.S. relations. As this yearbook demonstrates, Korea and the United States have long shared one of the world's most successful alliances, grounded in common values such as democracy, market economy, and a respect for human rights. Yet, we have made particular strides last year to strengthen our partnership on security, political, and economic matters.

To begin, the establishment of the U.S.-Korea Institute at SAIS now plays an important role in understanding our countries' relationship. I cannot overemphasize the significance of the launch of USKI, which presents a forum and intellectual hub for scholars and opinion leaders to better understand the dynamics between our two nations. Having worked closely with Dean Jessica Einhorn and our friends at KIEP and the Korea Foundation to make USKI a reality, we are excited and confident that this institute will exceed traditional corridors and open new dimensions and understanding for our alliance.

Looking to the security front, our alliance has addressed many issues including wartime operational control and the realignment of U.S. Forces Korea. Throughout these and other changes, we have ensured that our alliance has become ever more robust and strong.

Turning to economic matters, Korea continues to excel in the globalize marketplace. Today, Korea is recognized as a leader in high technology -- including semi-conductors and telecommunications, as well as shipbuilding and automobiles -- while maintaining high labor and environmental standards. In 2006, we took another leap forward, spending most of the year conducting negotiations on the landmark KORUS (Korea–U.S.) Free Trade Agreement. The negotiations came to fruition on April 1, 2007, and we look forward to further expanding our bilateral trade and investment once the FTA is implemented.

At the same time, Korea and the United States worked closely together in an effort to bring North Korea back to the Six-Party Talks. Looking ahead, we are hopeful that with all parties united in the effort to implement the agreement reached in September of 2005, we are on track finally to resolve this issue and enhance peace in the region.

It is my hope that this yearbook will serve to highlight the long-standing alliance of our two countries and bring our two nations closer together. These books can also serve as a reference for future scholars. I appreciate the work of the students in this book, and have enjoyed reading their thoughts, wisdom, and insights.

INTRODUCTION

David Straub
Professorial Lecturer, SAIS

This inaugural edition of the SAIS U.S.-Korea Yearbook covers major developments in the United States' relations with both North and South Korea during calendar year 2006. As it turned out, it was one of the most eventful years in the modern history of U.S.-Korean relations. In October, North Korea conducted its first test ever of a nuclear weapon. Just three months earlier, it had test-launched the Taepo-dong II, a new version of its long-range ballistic missile. The UN Security Council, led by the U.S., responded by passing resolutions imposing major sanctions against North Korea. Meanwhile, the United States and South Korea continued negotiations begun years earlier for the most significant changes in their alliance structures in over a generation. The U.S. and South Korea also began negotiations for a major bilateral Free Trade Agreement.

This yearbook covers all these and many more developments of consequence to U.S.-Korean relations in 2006. Each chapter was written by one of the SAIS students in the course "The Two Koreas: Contemporary Research and Record" in the fall of 2006. Their insights are based not only on extensive reading and study but also on numerous interviews conducted with government officials and other experts in both Washington and Seoul. Most of the SAIS student-authors had already engaged in intensive academic studies about Korea and Northeast Asia, and many had had professional experience in U.S. and Korean affairs, including as government and military officials themselves.

The yearbook is divided into three parts. The first covers U.S. relations with the Republic of Korea:

> **Manhee Lee**, a South Korean diplomat, provides an overview of the U.S.-ROK relationship in 2006, including sources of disagreement and cooperation.

Nina Sawyer, formerly a U.S. Air Force officer who served in Korea, reports on the ongoing reduction of U.S. forces in Korea by one-third and the relocation of U.S. forces from the Demilitarized Zone and their longtime headquarters in downtown Seoul.

Kate Ousley, who has worked for the U.S. Senate and studied in Asia, discusses the complex and important issue of the transfer to the ROK of wartime operational control over its own military forces.

South Korean diplomat Junghwa Lynn Pyo explains the complex policy and political issues surrounding the U.S.-ROK Status of Force Agreement (SOFA), which establishes the legal status of U.S. forces in Korea.

Junko Saito, an official of the Japanese Ministry of Economy, Trade, and Industry, writes about U.S.-ROK economic and trade relations in 2006, especially the negotiations for a bilateral Free Trade Agreement (FTA).

Eun-Ha Kim, a Georgetown University graduate with experience working at major foreign policy think tanks in both Seoul and Washington, analyzes the historical, regional, and generational sources of South Korean domestic politics and their implications for external relations, including with the U.S.

PRC diplomat Zhang Lu rounds out the section with a look at cultural and social developments in a dynamic South Korea, including the increasing popularity of South Korean cultural products in East Asia and the prospects that South Korean tourists will eventually be allowed to visit the U.S. without a visa.

In the second part of the yearbook, U.S. relations with North Korea are examined:

Viktoriya Kim, formerly an official of the Uzbek Ministry for Foreign Economic Relations, Investments, and Trade, provides an overview of North Korean nuclear developments and the Six-Party Talks in 2006, focusing on the confrontation between the U.S. and North Korea.

Seoung Mo Kang, who served in the South Korean military, reviews the motivations of "the other four" parties in the Six-Party Talks, i.e. China, Japan, Russia, and South Korea. He explains why the Six-Party Talks, despite their complexity, are so important.

Kaitlin Bonenberger, who had experience working in Seoul for a South Korean organization promoting human rights and democracy in the North, writes about the North Korean human rights situation.

Melanie Mickelson Graham, who interned at both the U.S. Senate and Department of Defense, reports on North Korea's illicit activities, including counterfeiting and drug smuggling, and on U.S. and other international sanctions against North Korea.

The third and final part of the yearbook illuminates the regional context of U.S. relations with North and South Korea:

Doo Shik Shin, a South Korean citizen who has lived in Japan for over 20 years and who worked for the Japanese conglomerate Itochu Corporation in Tokyo for over seven years, analyzes the difficult relationship between two U.S. allies: Japan and South Korea.

Limin Liang, who has worked in the U.S., China, and Japan, writes about the rapidly developing and changing relationship between China and the Korean Peninsula, as China grows economically and as North Korea presents dilemmas for both China and South Korea, as well as the U.S.

As the faculty leader of the first "Two Koreas" course, I hope that the SAIS U.S.-Korea Yearbook will continue to develop in future years and come to be recognized as a significant contribution to U.S.-Korean scholarship and mutual understanding. For allowing me the privilege of being part of the inaugural effort and for their unstinting support, I am deeply grateful to U.S.-Korea Institute Chairman Don Oberdorfer, Deputy Chairman Yong Shik Choo, and Program Manager Kate Surber. Most of all, I thank the students of "The Two Koreas" class, whose brilliance was coupled with exuberance; we can expect to hear much more from all of them.

OVERVIEW OF ROK-U.S. RELATIONS IN 2006: A TIME OF TRANSITION

Manhee Lee

I. INTRODUCTION

For over five decades, the ROK-U.S. relationship served the mutual interests of the ROK and the U.S. The United States' commitment to the security of ROK and its military presence in Korea deterred North Korean aggression and reduced the defense burden on the ROK, thus providing the basis for the ROK's rapid economic development. The alliance stabilized Northeast Asia by constraining rivalry among regional powers. For its part, the ROK supported the United States' global strategy as an ally in both Vietnam and Iraq. Economic and cultural ties bolstered the ROK-U.S. relationship and promoted mutual prosperity. The ROK became the United States' seventh-largest trading partner overall and the fourth-largest importer of American agricultural products.

In recent years, however, the ROK-U.S. alliance was being severely tested. The U.S. began to reassess the ROK's strategic value in a post-modern world context and made structural adjustments to the alliance. The ROK, in response to both domestic and external changes, was seeking a more equal relationship with the U.S. Differences between the ROK and the U.S., especially over the approach toward North Korea, highlighted the conflicting strategic interests of the two partners, differences that led to questions about the rationale for the alliance.

II. RESPONDING TO NEW SECURITY ENVIRONMENTS

Since the Korean War, South Korea and the U.S. shared similar strategic goals. During the Cold War, the overarching aim was to prevent communist aggression at the global, regional, and peninsular levels. With the end of the Cold War, however, and especially after the terrorist attacks of September 11, changing security environments at various levels resulted in strategic discord between the ROK and the U.S.

At the global level, U.S. strategy changed fundamentally. The goal of U.S. foreign policy shifted from deterring communism to combating terrorism and preventing the rise of regional hegemons. America's allies, whose role used to be to defend themselves from communist attack, were now called upon to participate in global and regional military operations against terrorism. Under the new U.S. concept of "strategic flexibility," American allies were pressed to assume further responsibility for their own defense. Many South Koreans feared a lessening of the United States' commitment to the defense of the ROK or even eventual abandonment.

At the regional level, the change in the balance of power in East Asia in recent years increased uncertainty about the regional security environment. Cold War confrontation disappeared in Northeast Asia and, with it, the structure of competing alliance groups: the U.S., the ROK, and Japan, in one camp, and the USSR, the PRC, and North Korea, in the other. Instead, the rise of China and Japan's pursuit of a more "normal" foreign and security policy endangered the balance of power in East Asia. The United States appeared to vacillate between a policy of engaging and containing the PRC. As a U.S. ally, the ROK feared becoming ensnared in U.S. intervention in conflict between China and Taiwan.

At the peninsular level, the ROK's policy toward North Korea shifted from Cold War confrontation to engagement. The June 2002 summit meeting in Pyongyang between President Kim Dae-jung and North Korean leader Kim Jong Il led to socio-cultural exchanges and economic cooperation between the two Koreas, and South Koreans' attitude toward North Korea experienced dramatic change. Increased contact reinforced South Koreans' image of North Korea as a "brother in trouble." This new South Korean nationalistic view of North Korea resulted in discord with Washington over policy priorities and to different approaches to resolving the North Korean nuclear problem.

III. DISCORDANT PERSPECTIVES

1. THE NORTH KOREAN NUCLEAR PROGRAM

On October 9, North Korea announced that it had conducted a nuclear weapon test earlier in the day. The U.S. immediately called for a United Nations Security Council (UNSC) meeting to coordinate an international response. A few days later, the UN passed Resolution 1718 condemning the test and imposing sanctions on North Korea. The U.S. reiterated its security commitment to South Korea and Japan, and it continued to press North Korea to return to the Six-Party Talks in Beijing. The North Korean action came despite a strong UN warning shortly before the test and the passage of an earlier UN resolution condemning the July 5 North Korean missile tests.

Although the South Korean government vowed to support the UNSC resolution and called on Pyongyang to return to the Six-Party Talks, it did not suspend cooperation with North Korea on the Gaesong Industrial Park and the Mt. Geumgang tourism project. The ROK also continued to refrain from participation in the U.S.-led Proliferation Security Initiative (PSI), which was widely regarded as targeted especially at North Korean proliferation activities. Many American observers had anticipated that a North Korean nuclear test would prompt the South Korean government to take a much tougher approach toward North Korea.

The gap between the two countries' reaction to the North Korean nuclear test was due mainly to divergent assessments of the challenges posed by North Korea. The U.S. saw the North Korean nuclear issue through global and regional lenses. Globally, the U.S. worried that North Korea, an established exporter of ballistic missiles, might transfer nuclear weapons or material to states or groups hostile to the U.S. The U.S. was also concerned that North Korea's successful "breakout" as nuclear weapons state might encourage other states to develop their own nuclear weapons, thus undermining the international nuclear non-proliferation regime.

From a regional perspective, the U.S. feared that the North Korean nuclear test might stimulate a regional arms race. If Japan decided in response to develop nuclear weapons, South Korea, with strong memories of imperial Japan's colonial rule, might follow suit. Taiwan might also be tempted. While Japan did not appear likely to move soon to develop nuclear weapons, the North Korean nuclear test did lead to calls in Japan for a debate about changing Japan's non-nuclear policy. It also increased Japanese concerns about the credibility of the U.S. "nuclear umbrella."

South Korea had a significantly different perspective on North Korea. With the end of the Cold War, and especially after the South-North summit of June 2000, South Korean's threat perception of North Korea declined dramatically. The increasing gap in national power between the South and North Korea caused by the economic collapse of the North heightened the sense of confidence among the South Korean public about the ROK's deterrence capability. With this confidence, the Kim Dae-jung administration initiated the "sunshine" engagement policy to induce gradual change in North Korea. Thus, the ROK came to deal with North Korea not primarily as a regional and an international problem, as did the U.S., but as an "intra-national" issue.

2. TRANSFER OF WARTIME OPERATIONAL CONTROL

In June 2002, the accidental killing of two South Korean schoolgirls struck by a U.S. Forces Korea (USFK) vehicle stirred public anger toward the U.S. military presence in Korea. The ensuing acquittal of the U.S. soldiers by a U.S. court-martial intensified demands for revision of the U.S.-ROK Status of Forces Agreement (SOFA), and some progressives called for the complete withdrawal of U.S. troops from South Korea. During the 2002 presidential election campaign, which was underway at the time, ruling party candidate Roh Moo-hyun appealed to Korean voters by promising to insist on a more equal relationship with the U.S.

As part of his presidential campaign, Roh said that South Korea needed to act more autonomously, and he called for the return of ROK wartime operational control (OPCON) over its own forces. (The ROK transferred OPCON of its forces to the U.S. during the Korean War.) Later, as president, Roh called reclaiming OPCON "the core of a self-reliant national defense," adding that South Koreans who believed their military wasn't yet up to the task lacked "self-respect."

The Roh administration's call for wartime OPCON provoked strong opposition in 2006 from South Korean conservatives, who feared that the ROK's national security might be put in jeopardy. The main opposition Grand National Party and conservative opinion leaders called for an immediate halt to negotiations between the U.S. and the ROK for the transfer of OPCON and they demanded that the existing combined U.S.-ROK command structure be maintained. About a dozen veterans' associations published a joint statement opposing the Roh administration's plan, and seventeen former defense ministers also expressed their concern.

Yonsei University Professor Moon Jung-in summarized the reasons for South Korean conservatives' opposition to the transfer of OPCON. First, the ROK government's position was an improper unilateral action domestically that compromised national security in the name of national pride and self-reliance. Second, the transfer would lead to the dissolution of the U.S.-ROK Combined Forces Command, the reduction and withdrawal of American forces from Korea, and ultimately the dismantling of the ROK-U.S. alliance. Third, the timing of the transfer was hasty and rigid. Fourth, the South Korean military was not ready to exercise wartime OPCON. Fifth, the transfer might result in the U.S. not dispatching as many U.S. military personnel to South Korea in the event of war.

Despite the strong domestic opposition, the Roh Moo-hyun government did not waver and continued negotiations with the U.S. for the transfer of wartime OPCON. On October 20, the defense ministers of the two countries formally agreed that the transfer should occur sometime between 2009 and 2012. In fact, it was the U.S. side that called for the transfer to occur sooner rather than later.

While the U.S. and the ROK agreed in principle on the transfer of wartime OPCON, it appeared that their motivations differed. For the Roh administration, the transfer of wartime OPCON symbolized the regaining of national sovereignty and was a matter of national pride, particularly for nationalistic, progressive younger voters. The U.S. position, however, was based on its global strategy. Since the end of the Cold War, the U.S. had worked to relocate and realign its bases overseas to allow its forces to respond to regional conflicts more rapidly and more flexibly. After 9/11, the U.S. also sought to conduct the war on terrorism more efficiently. The transfer of wartime OPCON to the ROK would enhance such "strategic flexibility" on the part of U.S. forces. From a South Korean perspective, the U.S. desire for the "strategic flexibility" to deploy its forces in Korea to other hotspots represented a reduction in the longstanding U.S. commitment to the ROK's security.

3. OTHER STRUCTURAL CHANGE IN THE U.S.-ROK ALLIANCE

Other U.S.-ROK alliance structures were undergoing major change. In the wake of the September 11 terrorist attacks, the U.S. invaded and occupied Afghanistan and Iraq and deployed U.S. forces to many other countries. In such an environment, the U.S. began to reduce U.S. forces in Korea and realign those that remained. The U.S. planned to cut its 37, 500 uniformed personnel in Korea by about 1/3, to 25,000, within several years, and reposition its main forces, stationed for decades near the Demilitarized Zone, to areas south of Seoul. Some South Koreans interpreted the changes as representing a weakening of the U.S. defense commitment to South Korea, because U.S. forces would no longer play the role of a "tripwire" as they had when arrayed along the DMZ.

The transfer of wartime OPCON would also mean the abolition of the ROK-U.S. Combined Forces Command (CFC), established in 1978 to reassure South Koreans of the U.S. commitment to their defense, and described by some as the most efficient war-fighting command in the world. The close security cooperation between the ROK and the U.S. through CFC, unique in the world, was extensive, including combined defense planning, intelligence integration and sharing, a sophisticated logistical interface, educational exchanges, and defense industry cooperation.

IV. TOWARD A COMPREHENSIVE ALLIANCE

In spite of the recent difficulties and differences of perception between the U.S. and the ROK, they shared many values and interests. Globally, they cooperated to promote freedom, democratic institutions, and human rights, as demonstrated by their shared effort in Iraq and Afghanistan. The two countries also cooperated

in combating terrorism and preventing the proliferation of weapons of mass destruction (WMD). Regionally, the ROK and the U.S. shared the hope for peace and stability in Northeast Asia and made efforts to create a regional multinational mechanism for security cooperation through the Six-Party Talks. On the Korean Peninsula, South Korea and the U.S. shared the goal of denuclearizing North Korea.

Although security cooperation had been the most important pillar of the ROK-U.S. relationship, in the future the alliance needed to evolve to give greater weight to political, people-to-people, and economic cooperation, in the peninsular, regional, and global contexts. A comprehensive approach to alliance relations could enhance mutual understanding and cooperation in all areas, including the military.

In the security realm, the Six-Party Talks provided an opportunity to coordinate the perspectives of ROK and the U.S. toward North Korea. The formation of the Six-Party Talks could be interpreted as a variation of the ROK-U.S. alliance applied to the regional context to deal with the complicated North Korean nuclear issue. Despite their different priorities regarding the North Korean nuclear issue, South Korea and the U.S. both sought to implement the commitments contained in the Six-Party Joint Statement of September 19, 2005, which aimed to eliminate North Korea's nuclear program and integrate the DPRK as a responsible member of the international community. Both the U.S. and the ROK hoped that the successful conclusion of the Six-Party Talks would lead to a permanent peace regime for the Korean Peninsula and the establishment of a security cooperation body for Northeast Asia.

The people-to-people links between South Korea and the U.S. represented a major, and increasingly important, new feature of the bilateral relationship. With nearly two million Korean-Americans living in the U.S., South Korea and the U.S. maintained a special relationship at a personal level. In addition, over 90,000 South Koreans students attended U.S. institutions of learning. Such deep, personal ties provided a strong foundation for the relationship and promised to improve mutual understanding. To encourage such ties, the two countries adopted in 2006 a roadmap for Korea's early inclusion in the U.S. visa waiver program (VWP). If accomplished, South Koreans could tour the U.S. without visas.

The ROK-U.S. Free Trade Agreement (FTA) was expected to broaden and deepen the alliance. The two countries began negotiations for the FTA in 2006 and planned to reach final agreement in the first half of 2007. Economic studies in both countries estimated that the FTA would generate an increase in GDP, growth in foreign investment, more jobs in the manufacturing and services sectors, and lower prices for consumers.

For the South Korean economy, the FTA would enhance industrial competitiveness and force a more efficient allocation of resources. The FTA would provide Korean industries with freer and easier access to the U.S. market, the largest in the world. For the U.S. economy, the FTA was expected to result almost immediately in increased exports of services and agricultural products. With U.S.-ROK trade totaling over $72 billion in 2005, an FTA with the ROK would represent the biggest U.S. trade deal since the 1994 North American Free Trade Agreement (NAFTA).

As of the end of 2006, prospects for a successful conclusion of the FTA talks were uncertain. The two sides encountered difficulties in reaching compromises on sensitive issues. Negotiators from both countries had to deal with strong domestic agricultural interest groups. The U.S. also objected to the ROK's call to include products from the Gaesong Industrial Complex in North Korea in the FTA. Even if the two sides reached agreement, the legislatures of both countries had to approve it. With a presidential election scheduled in the ROK for December 2007 and in the U.S. in November 2008, election politics could complicate or delay approval.

V. PROSPECTS FOR THE U.S.-ROK ALLIANCE

While discord between the ROK and the U.S. in recent years raised concern in both countries about the soundness and durability of their alliance, it was important to keep in mind that the changing character of alliance relations stemmed mainly from differences in approach to several issues, not from differences over fundamental principles. In fact, the two allies shared the core interests of promoting democracy and expanding free markets. Over the long run, their increasingly multi-dimensional cooperation at various levels would likely result in a mature partnership, not just on the Korean Peninsula, but also regionally in East Asia and globally as well.

USFK REALIGNMENT AND REDUCTION

Nina Sawyer

I. INTRODUCTION

The United States and the Republic of Korea (ROK) continued in 2006 to institute the most far-reaching changes in the structure of their military alliance since the withdrawal of the U.S. 7th Division from Korea and the establishment of the U.S.-ROK Combined Forces Command (CFC) three decades earlier. A major realignment of U.S. bases in Korea was progressing slowly but surely. Most U.S. Forces Korea (USFK) military personnel were to be shifted from the existing 43 U.S. bases spread throughout the country to two "hub" areas south of Seoul. U.S. forces were being removed from the Demilitarized Zone, and many missions they had performed were being transferred to the ROK. USFK headquarters was to be moved soon from downtown Seoul, southward to the city of Byeongtaek. The two governments were also cooperating to implement a reduction in the numb er of U.S. troops in Korea from 37,000 in 2004 to 25,000 by the end of 2008.

Overall, the U.S. and ROK governments were cooperating well in agreeing on and implementing the sweeping changes in their alliance relationship. One U.S. official offered the optimistic observation that the most difficult phase—decision-making—had already passed and that the focus now was primarily on implementation. The cooperation occurred despite the fact that the two governments' motivations for supporting the changes differed in many respects. Some observers remarked that, ironically, the U.S. was receiving more cooperation from the progressive South Korean government for the changes than it might have received if the ROK had been led by a conservative president.

Among other things, the United States wished to reduce the number of U.S. forces stationed on the Korean Peninsula to free them for more pressing duties elsewhere, particularly in Iraq. Similarly, U.S. insistence on the need for its remaining troops in Korea to enjoy "strategic flexibility," i.e. to be able to conduct operations off the peninsula, reflected a new U.S. military doctrine responding to the changed security environment after the end of the Cold War and the terrorist attacks of 9/11.

The administration of progressive South Korean President Roh Moo-hyun regarded the reduction and realignment of U.S. forces as consistent with his call, as a presidential candidate in 2002, for a more equal relationship between the two allies and for greater self-confidence on the part of South Koreans in their own military capabilities. He also hoped that the lower USFK profile would reduce tensions on the peninsula and facilitate North-South Korean military talks. The changes also meshed with his call for ROK assumption of wartime operational control (OPCON) over its own forces, to which the U.S. and the ROK agreed in late 2006.

II. U.S. AND ROK MOTIVATIONS

U.S. and South Korean interests and perceptions in Northeast Asia were in flux, and sometimes diverging. The enemy's face was changing—at least for many South Koreans. At the initiative of President Kim Dae-jung (1998-2003) and current President Roh Moo-hyun, the South's "sunshine" approach to engaging North Korea had resulted in a lessened threat perception of North Korea on the part of many South Koreans. The progressive governments of Kim and Roh were determined to promote reconciliation with North Korea.

From being firmly aligned with the U.S. against the North, the ROK under Presidents Kim Dae-jung and Roh Moo-hyun sometimes sought to play the role of intermediary between the U.S. and North Korea. Both Kim and Roh absolutely rejected the possibility of military action against the North Korean nuclear program, even though President George W. Bush continued to say publicly that he would take "no options off the table."

South Koreans were also wary of the expansion of USFK's mission to permit "strategic flexibility." They did not want to be drawn against their wishes or interests into a regional conflict off the peninsula, for example, U.S. intervention in hostilities between the PRC and Taiwan. Negotiations between the U.S. and ROK foreign ministers in January 2006 finally resulted in a joint statement in

which the ROK said it respected "the necessity for strategic flexibility of the U.S. forces in the ROK." For its part, the U.S. pledged to respect "the ROK position that it shall not be involved in a regional conflict in Northeast Asia against the will of the Korean people." A mechanism for balancing South Korean sovereignty—which could limit the United States' freedom to move USFK units from South Korean soil—with the United States' potential need to redeploy USFK troops under U.S. command, remained to be developed in future negotiations.

President Roh wanted the ROK to play a larger, more autonomous role in its own defense while remaining firmly allied with the U.S. He called his approach "cooperative self-reliant national defense." The term hearkened back to the "self-reliant defense" policy espoused by President Park Chung Hee in the early 1970s after the Nixon doctrine of 1969 resulted in the withdrawal of the U.S. 7th Division from Korea. Roh's insertion of the word "cooperative" was intended to counter conservative critics who thought that he regarded the alliance too lightly.

Roh had entered office with the earnest desire to render the alliance more equal and balanced, a sentiment backed by increasingly nationalistic South Koreans. Toward that end, President Roh promoted ROK defense reform and said that he intended to regain wartime OPCON over ROK troops. During the USFK realignment and reduction, the ROK expected to assume some of USFK's missions and responsibilities while seeking to maintain the same level of deterrence against North Korea.

For its part, the U.S. needed to adjust its global military posture following the September 11 terrorist attacks and the invasion and occupation of Iraq, providing the main catalyst for the USFK changes. In fact, the 3,600 troops withdrawn from USFK in 2004—a brigade from the 2nd Infantry Division—were immediately reassigned to Iraq. Most ROK officials understood the situation and therefore felt that the U.S. would proceed to implement most of its proposed changes in Korea out of necessity, whether the ROK was supportive or not.

A U.S. Defense Department official identified the new U.S. global priorities as "mobility, increased capability of U.S. forward forces, combined and joint operations, forward infrastructure to support long-range attack capabilities, and promotion of greater allied contributions." The U.S. Global Defense Posture Review determined that USFK should be realigned into more flexible, modular units.

Aside from such structural reform, the U.S. "revolution in military affairs" called for a linking of intelligence, advanced communication technology, and precision-guided munitions to win wars. Military analysts suggested that even conventional wars no longer required large-scale ground forces. U.S. policymakers therefore

believed that a reduction of U.S. forces in Korea would not weaken overall deterrence of North Korea, especially since the ROK military's conventional capabilities continued to grow while the North's stagnated due to a collapsed economy.

III. BENEFITS OF REALIGNMENT

In addition to the strategic reasons for the realignment, both the U.S. and the ROK stood to benefit in immediate, practical ways. The United States would save on operational costs—for communications, transportation, and security—by closing its many small bases scattered between Seoul and the DMZ and consolidating most of its forces in two hubs. It would also benefit by the construction of state-of-the-art facilities at the new hubs, especially since many of USFK's existing bases had been built in the 1950s. Relocating the 2nd Infantry Division to the two hubs would result in improved troop mobility based on the latest technology and warfare doctrine. The reduced U.S. military visibility in Seoul and other urban areas would reduce tensions with local communities.

If a war occurred on the peninsula, the redeployment of USFK forces south of Seoul would increase their survivability by placing them out of range of North Korea's initial artillery strikes. (On the other hand, it risked increasing their susceptibility to a mass casualty strike.) U.S. forces would thus possess a greater ability to respond to a North Korean attack. The realignment de-emphasized the role of U.S. ground forces and played to U.S. strengths and expected contributions in a conflict: C4I (command, control, communications, computers, and intelligence) and air power.

When it was first broached, some Koreans feared that the U.S. redeployment south of Seoul would allow the U.S. to preemptively attack North Korea's nuclear facilities without worrying about retaliatory artillery attacks on U.S. troops. Such fears appeared largely to have faded as time passed. Among other things, it became apparent that the redeployment would not take place for years. Moreover, with the U.S. military preoccupied in Iraq, most observers believed that U.S. consideration of the use of force against North Korea was unlikely for the foreseeable future.

For South Korea, the USFK areas to be returned, especially in cities such as Seoul or Busan, were a tremendous asset for economic development and public projects. The USFK golf course in central Seoul, returned to ROK use in the 1990s, had become the site of a family park and the national art museum.

The return of USFK bases would also alleviate friction with land owners. Privately owned land accounted for almost 25% of the land granted by the ROK for USFK's use, but, unlike Japan, the Korean government had not paid rent to the owners. With democratization, owners' anger over the situation and their demands for the return of their properties had increased. Several farmers had successfully sued the government.

Finally, the return of U.S. bases would reduce the risk to civilians from military-related accidents. Many U.S. bases were in heavily populated areas. In other cases, some people had continued to farm their land even though it had been granted by the ROK government for USFK use. The problem occurred typically when USFK was not actively using the property but had designated it as part of a safety zone, for example, for the storage and handling of nearby explosive ordnance. Such civilian "encroachment" of USFK bases and its attendant risk to civilians had become an increasingly serious problem in recent years.

IV. NEGOTIATING FORA

South Korea and the United States negotiated their military alliance arrangements at a range of meetings at different levels. The annual Security Consultative Meeting (SCM), attended by the defense ministers of the two countries, was the most senior regular forum governing the alliance. The 2006 SCM included discussion of the Joint Study on the Vision of the ROK-U.S. Alliance, which began the process of identifying updated shared goals for the alliance as the ROK pursued reconciliation with North Korea.

U.S. and ROK officials Cooperate on USFK Realignment.

During the 2002 SCM, the defense chiefs had established a "Future of the Alliance" (FOTA) forum for their staff to discuss ways of adapting the alliance to the new global security environment. Negotiators chose to focus first on concrete, near-term issues, such as relocating USFK bases and the transfer of missions from the U.S. to the ROK. The FOTA meetings in 2003 and 2004 also discussed the ROK military capability enhancements necessary to allow the U.S. 2nd Infantry Division to move from the DMZ to bases south of Seoul. After ten FOTA sessions yielded agreements on USFK base relocation, officials renamed the forum the "Strategic Policy Initiative" (SPI) to better reflect its new focus on developing long-term, strategic goals for a future-oriented alliance, such as changing the combined command structure and identifying new security objectives. SPI talks were scheduled to continue into 2007.

V. PLANS

ROK-U.S. talks produced the Land Partnership Plan (LPP) in 2001, which was renegotiated until 2004, and the Yongsan Relocation Plan in 2004. Under the LPP, agreement was reached to consolidate U.S. bases in Korean into two hubs: a Central Region hub at the cities of Osan and Byeongtaek for command and combat units and a Southern Region hub at Daegu, Busan, and Bohang for support units. Military planners chose the new hub areas for their proximity to airports and seaports, which allowed for easier reception and staging of augmenting U.S. forces in case of conflict or other contingency.

In Phase I of the relocation under LPP, all of the 2nd Infantry Division's (2ID) small bases north of Seoul were to be consolidated in the Uijeongbu and Dongducheon areas by 2006. As of the end of the year, it appeared that completion of the phase would not occur until mid-2007. Because of the delay, some 2ID bases might be consolidated to the hubs in one movement. In Phase II, pending preparation of the new hub bases, the consolidated 2ID units stationed near the DMZ would move to the Central Region hub. A small number of U.S. troops would continue to cycle through a Joint Training Facility near the DMZ to prevent North Korea from perceiving a diminished U.S. will to deter attack.

Under the related Yongsan Relocation Plan (YRP), USFK headquarters, United Nations Command, Combined Forces Command, and 8th Army headquarters were to be moved to Byeongtaek by 2008. The likely dismantlement of the Combined Forces Command with the transfer of wartime operational control would require adjustments to the YRP. The ROK had initially requested relocation of Yongsan in 1990, but U.S.-ROK talks at the time were suspended only a year later due to the first North Korean nuclear crisis and to the high estimated cost of the move.

With full implementation of the LPP and YRP plans, the 43 U.S. bases in Korea would be reduced to 17, and the 60,000 acres entrusted to USFK use would drop to 20,000. As the U.S. prepared bases for closure, the U.S. and the ROK sometimes disagreed about the required degree of environmental remediation or clean-up, causing delays in the official return of some bases. Fifteen bases were returned to the ROK in July 2006; fourteen more failed to pass ROK environmental inspections, leaving them empty of American troops but not yet officially returned. Meanwhile, as of November 2006, the ROK government had secured one third of the land needed in Byeongtaek for 2ID's move to the new hub there.

The U.S. and the ROK were in agreement in principle that the party requesting a USFK move would also pay the cost of the relocation. Hence the U.S. was to pay for most of 2ID's move south, while the ROK would cover the expenses for moving the USFK headquarters units from Yongsan. Since the ROK would assume control of the vacated bases, it was also paying for the land acquisitions necessary to create the new hubs.

Although the initial costs for the ROK were much higher than for the U.S., due to the ROK's need to purchase land for the new hubs, the expected returns to the ROK once the vacated land was developed would be even higher. The exact cost of the base relocations would only be known upon completion of the master plan, expected at the end of January 2007, but it was likely to exceed $10 billion. The joint master plan would propose a timetable, facility construction blueprint, and cost-sharing agreement.

The South Korean public expressed concern that the costs resulting from the USFK changes and the related upgrading of ROK forces were too great and that deterrence of North Korea might be reduced. These sentiments translated into political pressures that could slow implementation of the LPP and YRP. Identifying with South Korean public concerns about a major shift in security posture during the ongoing second North Korean nuclear crisis, ROK negotiators deliberately sought delayed target dates for the redeployments and realignments. Acting upon instructions from the South Korean National Security Council, South Korea's chief negotiator lobbied, albeit unsuccessfully, for the second phase of the 2ID relocation to be postponed until after resolution of the nuclear crisis.

Meanwhile, a very active minority of farmers and civic groups refused to vacate the government-desired land in Byeongtaek—preventing land purchases and stalling construction of the new hub there. In December 2006, the ROK Ministry of National Defense (MND) predicted the Yongsan and 2ID moves would occur in 2013 due to these delays and cost-sharing disagreements. The ROK MND also faced a learning curve in planning and building a billion-dollar base for the first time. U.S. government officials recognized the inevitability of some delay but publicly stuck to the more ambitious, established deadline of 2008—while privately admitting 2009 would be likelier.

VI. HISTORY OF USFK TROOP REDUCTIONS

U.S. ground forces represented a concrete symbol of the U.S. commitment to defend South Korea, a promise legally binding through the Mutual Defense Treaty. Since the Korean War ended, however, there was rarely a period in which the U.S. was not reducing its forces stationed in Korea or considering a further reduction, based primarily on the ROK's increasing defense capabilities.

Following U.S. détente with China, the Nixon doctrine of 1969 called on U.S. allies to take greater responsibility for their own defense. In the early 1970s, the U.S. began to withdraw the 7th Infantry Division from South Korea, taking the U.S. troop level from 61,000 to 43,000. The resulting fear that the U.S. would unilaterally reduce its commitment to the ROK, coupled with strongman President Park Chung Hee's desire to strengthen South Korea's autonomy, resulted in increased South Korean defense spending.

President Jimmy Carter authorized the withdrawal of the remaining U.S. infantry division in Korea in 1977, but strong opposition within both the ROK and the U.S. resulted in the plan's suspension after only the first phase of the reduction, involving 3,600 troops, had been implemented.

After the end of the Cold War, the East Asia Strategy Initiative launched by President George H.W. Bush's administration in 1990 determined that it would be feasible to reduce USFK over a ten-year period. The U.S. withdrew 7,000 troops in Phase I of the planned reduction, but cancelled Phase II in 1991 due to concerns over North Korea's nuclear program. Thereafter, the USFK troop level remained at 36,000-37,000 personnel.

In 2004, the U.S. announced its intention to withdraw 12,500 more troops from Korea by 2005. Due to ROK opposition, U.S. and ROK negotiators agreed on a delayed deadline of 2008 for the withdrawal. The starting troop level of 37,000 in 2004 was reduced to around 29,000 by the end of 2006 and ultimately was to be further reduced to 25,000 by the end of 2008.

The ROK military was to assume increasing responsibility for the ground force missions previously performed by 2ID. The first ten missions to be transferred to the ROK included safeguarding the Joint Security Area (commonly known as Panmunjom), counter-fire, rear area de-contamination, counter-special operations force operations, managing the Maehyang-ri firing range, search and rescue, close air support, emergency mine spreading, military police rotation and control, and weather forecasting. As of the end of 2006, eight of the ten missions had already been shifted to the ROK.

During negotiations on 2ID's reduction and realignment, the U.S. promised to invest $11 billion to enhance combined U.S.-ROK defense capabilities in 150 areas. A similar military aid package of $1.6 billion accompanied the 1971 reduction in U.S. troop levels in Korea; it was used to support the ROK military's five-year modernization program.

U.S. force reductions usually prod the ROK to increase its own defense budget. Nixon's withdrawal, for example, triggered a ten-fold increase in ROK military spending over 15 years. Concurrent with the current U.S. drawdown, the ROK planned to increase its defense budget significantly to support a 15-year military modernization program called "Defense Reform 2020."

VII. PROSPECTS

The scale, cost, and complexity of the USFK realignment outlined in the Land Partnership Plan and the Yongsan Relocation Plan were unmatched in the history of the U.S.-ROK alliance. Practical implementation issues alone would make it difficult to keep on schedule. In addition, Korean conservatives continued to oppose the realignment, and they hoped that a new ROK president in February 2008 or a new U.S. president in January 2009 might reverse course. At the end of 2006, however, that appeared unlikely. The South Korean public seemed increasingly accustomed to the plan, and no South Korean presidential candidate was focusing on the realignment. In the United States, most Defense Department professionals supported the plan.

The main challenge to the alliance remained differences of perception about the challenges posed by North Korea. Without consensus on North Korea, the alliance lost some of its coherence and vitality. In the absence of a fundamental resolution of the North Korean problem, the U.S. and the ROK needed to intensify their leadership discussions about North Korea in an effort to achieve consensus. Some observers believed that the differences between the Bush and Roh administrations over North Korea were too great and their remaining time in office too short to achieve such a consensus. Thus, there was considerable hope that the advent of new administrations in both countries in the coming two years would offer a fresh opportunity for the two allies to find common ground. Regardless of the changes in administration, transitioning the alliance towards a potential post-unification role—while still maintaining the capability to deter a North Korean attack—presented a unique challenge for U.S. and ROK leaders.

Prospects over the longer term were hard to predict. The democratization of South Korea allowed the expression of a diversity of opinions about South Korea's relations with North Korea and the United States. A vocal minority favored a complete withdrawal of U.S. troops and an end to the alliance, but most South Koreans continued to believe that alliance with the U.S. was in ROK interests. A minority of U.S. military analysts also advised the complete withdrawal of U.S. forces from Korea, arguing that the cost to the U.S. of the alliance outweighed the benefits, but most U.S. policymakers disagreed.

In both the U.S. and South Korea there was widespread agreement that the alliance should be more "equal," but by that Americans meant that the ROK should play a larger role in its own defense and provide more in-kind and financial support for the remaining U.S. forces in Korea. Koreans, on the other hand, simply meant that they wanted the U.S. to be more accommodating of their positions on alliance arrangements such as the SOFA. Each country's leaders clearly needed a better understanding of and sensitivity to the interests and perspectives of the other.

South Korea had long sought reconciliation with North Korea, but North Korea had not yet reduced its troop levels or dropped its offensive military posture against the South. While combined U.S.-ROK conventional forces were clearly superior to those of the North with its collapsed economy, North Korea's further development of nuclear weapons in 2006 meant that its "asymmetric" threat potential had increased. Thus, the ROK would continue to need to rely on the U.S. alliance and its nuclear umbrella for the foreseeable future.

During the Cold War, the U.S. strategic goal of containing communism coincided with the ROK's need to deter North Korea. With the end of the Cold War, and particularly after the September 11 terrorist attacks, U.S. and ROK core objectives diverged. Articulating how the realigned military alliance would allow each to accomplish its new priority objectives—such as countering terrorism and engaging North Korea—would inject new purpose into modernizing the alliance. Security cooperation required more creativity and vision when the enemy no longer had a clear and hardened face.

WARTIME OPERATIONAL CONTROL

Kate Ousley

I. INTRODUCTION

The United States and the Republic of Korea in 2006 set a timeframe for the transfer of wartime operational control (OPCON) of South Korean military forces from the U.S. to the ROK. At the Security Consultative Meeting (SCM) on October 20-21, the U.S. and ROK defense ministers agreed that the transfer would occur sometime between October 15, 2009, and March 15, 2012. As of year's end, the United States continued to seek a 2009 transfer while the ROK preferred 2012. Some conservative South Koreans expressed deep concern that the transfer would weaken South Korea's defense its alliance with the U.S., but leaders of both the U.S. and South Korea agreed that the change would benefit the alliance and they expressed their determination to proceed with the move.

II. HISTORY OF OPCON IN THE ROK

The history in South Korea of operational control, a delegated subset of command over military forces to achieve a particular mission, can be broken down into three periods: 1950-1978, 1978-1994, and 1994-present.

During the first period, OPCON of South Korean military forces rested primarily with the U.S.-led United Nations Command (UNC). ROK President Syngman Rhee transferred OPCON of his forces to the United States in July 1950 at the beginning of the Korean War. In November 1954, after war's end and with the signing of a treaty of alliance with the U.S., Rhee placed wartime and peacetime OPCON authority with the United Nations Command (UNC)—essentially still under the control of the United States. There OPCON of ROK forces remained for nearly a quarter of a century, with only a ten-day break in May 1961 during General Park Chung Hee's military *coup d'etat*.

During the period 1978-1994, the United States retained both wartime and peacetime OPCON over ROK forces through its leadership of the U.S.-ROK Combined Forces Command (CFC). The CFC was created in part to reassure Seoul of the U.S. defense commitment to the ROK in the wake of President Jimmy Carter's planned (but never implemented) withdrawal of the U.S. 2nd Infantry Division from Korea. Since the CFC's establishment in 1978, it was led by a four-star U.S. general who was also the commander of U.S. Forces Korea (USFK) and United Nations Commander (even though a UN resolution had called for dissolution of the UNC).

During the third period, from 1994 to the present, the ROK began a process of reestablishing OPCON over its forces. The transfer of OPCON from the United States to the ROK was first raised by the 1988-1993 administration of President Roh Tae Woo, resulting ultimately in the transfer of peacetime OPCON from CFC to the ROK in December 1994. The step was consistent with post-Cold War changes in the United States' global defense posture, outlined in the East Asia Strategic Initiative (EASI). EASI also called for wartime OPCON to be transferred to the ROK after 1996, but that was postponed because of the growing North Korean nuclear threat.

The United States supported the transfer of peacetime OPCON to the ROK not only for reasons of military strategy but also to avoid unintended involvement in domestic South Korean political controversy. In the 1980 Gwangju incident, South Koreans faulted the United States for the use of ROK military forces against civilian demonstrators. Because the United States held peacetime OPCON, many South Koreans believed that the U.S. could have prevented the situation. In fact, even in peacetime the United States exercised OPCON over only certain ROK units, and the ROK forces that first entered Gwangju and caused most casualties had not been subject to U.S. OPCON.

Even in wartime, the CFC commander's OPCON over South Korean forces was not automatic. He was granted operational control—not the broader right of command—over ROK units specifically designated by the South Korean president. The South Korean president retained all ultimate command of ROK forces, and as a practical matter no U.S. commander could force a Korean president to deploy his forces against his wishes. Thus, according to one U.S. official, the OPCON issue was not accurately described as one of "returning OPCON" because the South Korean president already had the sovereign right to decide which ROK units to assign to the Combined Forces Command.

Nor was the CFC's wartime authority complete. The CFC commander remained responsible even in wartime not only to the U.S. president but also to the ROK president. The two presidents, supported by the U.S. and ROK defense ministers and by the chairmen of the U.S. and ROK Joint Chiefs of Staff operating through the ROK-U.S. Military Committee, provided the CFC commander with strategic guidance.

III. PRESIDENT ROH'S OPCON POLICY

Progressive presidential candidate Roh Moo-hyun's call in 2002 for the return of wartime OPCON shared some nationalistic, political, and strategic impulses with past ROK presidents, while differing in other ways.

In the 1970s, President Park Chung Hee initiated a "self-reliant" national defense policy for South Korea to increase its role and autonomy in the ROK-U.S. alliance. Park's move reflected a growing distrust of U.S. steadfastness after the announcement in 1969 of the Nixon Doctrine that placed primary responsibility for the defense of American allies on the concerned countries themselves. In accordance with the new doctrine, the U.S. in 1971 withdrew the U.S. 7th Infantry Division from the ROK, reducing the manpower of U.S. there from 62,000 to 42,000. President Roh Tae Woo's call in the late 1980s for the return of OPCON was motivated in part by a desire to outflank nationalist and progressive critics who wanted a more equal alliance relationship with the U.S.

President Roh Moo-hyun used the issue of alliance arrangements politically to rally his progressive base, especially the younger generation that had not experienced the Korean War and that was critical of U.S. policy. As a presidential candidate in 2002 during widespread popular demonstrations against USFK over the deaths of two middle school students in a USFK traffic accident, Roh stressed his intention to press for an equal U.S.-ROK alliance.

Roh also justified his policy of reasserting wartime OPCON for new strategic reasons. He argued that, under existing OPCON arrangements, South Korea might unwillingly become involved in hostilities if the United States chose to launch a military strike against North Korean nuclear sites or if the U.S. intervened militarily in a crisis between mainland China and Taiwan. In calling for OPCON, Roh also publicly suggested he was responding to North Korea's refusal to conduct military-to-military and peace negotiations on an equal basis with the South because, North Korea asserted, U.S. wartime OPCON proved that it was actually the U.S. that was in charge of South Korean security.

IV. THE COURSE OF U.S.-ROK OPCON NEGOTIATIONS

As president, Roh continued publicly to call for the return of wartime OPCON, but the issue remained on the back burner of the ROK agenda. President Roh's administration was apparently preoccupied with the second North Korean nuclear crisis that erupted in late 2002 over North Korea's covert uranium enrichment program and with other U.S.-ROK military alliance priorities, including the realignment and reduction of U.S. forces in Korea.

According to a U.S. official, however, the U.S. government anticipated that it would be only a matter of time before the issue of wartime OPCON would need to be actively addressed. Roh's position reflected longstanding South Korean interest in the issue. Numerous U.S. officials affirmed that the United States was indeed transferring wartime OPCON in response to President Roh's call, but the U.S. was also positively disposed to a transfer because it would help implement the concept of "strategic flexibility" as part of the Bush administration's new global security posture. Moreover, Secretary Rumsfeld and other U.S. officials believed that ROK military capabilities had advanced to the point that the ROK could assume wartime OPCON.

Having completed other items on the Bush administration's U.S-ROK security agenda, the U.S. side thus raised the issue of wartime OPCON at the 37th annual Security Consultative Meeting in October 2005. Secretary of Defense Rumsfeld, noting President Roh's position, said he supported "pushing on an open door." Yet despite President Roh's request, ROK negotiators at the SCM were surprised when the U.S. raised the issue and they were not prepared to discuss it.

While both the U.S. and the ROK favored a transfer of wartime OPCON, their differing motivations and conservative opposition in the ROK led to rancorous negotiations. Americans were offended that President Roh explained the step to South Koreans in terms of a re-assertion of ROK sovereignty against the U.S. The lack of preparation of the ROK negotiators at the SCM talks also allowed time for ROK conservatives to mobilize opposition to the measure. Thus, although the Blue House itself preferred that the transfer take place soon, it was forced by public opinion to take the position that the transfer should not occur before 2012, rather than the U.S. proposal of 2009.

Opponents of the transfer, led by the Grand National Party (GNP) and some former defense ministers and retired generals, expressed concern that the transfer would undermine the U.S.-ROK military alliance, weakening deterrence and putting the ROK at risk of greater casualties and damage in the event of a North Korean attack. They also disagreed with Roh's argument that retrieval of OPCON would result in the DPRK treating the ROK as an equal party in military and peace talks. They stressed that there should be no OPCON talks until the North Korean nuclear issue was resolved.

Opponents further said that the ROK military did not yet have all the capabilities needed to assume wartime OPCON, particularly intelligence and surveillance assets, including AWACS, and airpower. Obtaining such capabilities would take many years and cost an enormous amount of money, they asserted. Some U.S. officials, on the other hand, regarded setting an early date for the transfer of wartime OPCON as a means of forcing ROK defense reform and development, but many current and former ROK military officers were concerned that the ROK government might not fully fund the needed modernization.

While most U.S.-ROK bilateral military agreements had been "conditions-based," i.e. implemented as capabilities were achieved rather than strictly according to a pre-determined timeline, the U.S. position in favor of a transfer in 2009 was not conditions-based. U.S. officials apparently were concerned that the ROK might manipulate a conditions-based process to delay the transfer.

U.S. officials, speaking privately, said that domestic opposition in the ROK would make it difficult to decide in 2006 on a specific date for the transfer. Both sides expected further, difficult negotiations. The highest levels of the U.S. government sought to avoid rhetoric that might inflame the controversy in the ROK or give hope to ROK opponents that the U.S. might reverse course and seek a delay or even a cancellation of the transfer. Thus, President Bush did not even mention the subject of wartime OPCON during his joint press conference with President Roh on September 14 until President Roh raised it. Of course, President Bush, unlike Roh, did not have to contend with domestic political pressures regarding the issue, although the implications of the OPCON transfer were of considerable concern to U.S. security and Korea experts and Congressional oversight committees had held hearings on the subject.

V. THE PROCESS OF TRANSFERRING OPCON

Switching wartime OPCON from the United States to South Korea would mean disestablishing CFC and creating another bilateral military coordination system in which, according to U.S. Deputy Under Secretary of Defense for Asian and Pacific Affairs Richard Lawless, USFK would "support the ROK commander, [but] remain under the command and operational control of an American commander." The new system would consist of "independent, parallel national commands where the U.S. plays a supporting role to the ROK lead." The United States would serve, in military jargon, in a "supported supporting relationship," with small numbers of U.S. military personnel embedded in units in each Korean service to act as liaison.

Many U.S. and ROK officials predicted that the U.S.-ROK military command relationship after the transfer of OPCON would resemble the relationship between U.S. Forces Japan and the Japanese defense establishment. The two forces would operate side-by-side with local counterparts as U.S. forces do everywhere else in the world, according to a U.S. official. Under this model, much of the decision-making apparatus for U.S. forces in Korea would be located in Hawaii at U.S. Pacific Command (PACOM) instead of at USFK headquarters in the ROK. Some U.S. capabilities currently in the ROK, including intelligence, would probably also move to Hawaii.

Media reports suggested that the U.S.-ROK coordinating body succeeding CFC might be named the Cooperative Military Center (CMC) or the Military Cooperation Center (MCC). It would be composed of an equal number of U.S. and ROK staff officers, comprising about ten standing and non-standing organizations commanded by separate and equal U.S. and ROK two-star generals. As of the end of 2006, U.S. and ROK officials were still preparing the draft agreement on the successor organization to the Combined Forces Command.

Some U.S. officials suggested that, with the transfer of OPCON, the United Nations Command might play a more prominent role on the Korean Peninsula, perhaps assuming many of the current functions of CFC. The U.S. and the ROK had already agreed that the U.S.-led UNC should continue to exist following CFC's abolishment.

General Burwell Bell, Commander of CFC, UNC, and USFK, stated that UNC would play an important supporting role in any future conflicts on the Korean Peninsula even though the ROK would have independent command over most South Korean forces. Bell urged that UNC be enhanced to perform such a post-CFC role.

Another U.S. official, however, suggested that the role of UNC, in terms of its daily responsibilities at least, would likely shrink after the transfer of OPCON and the disestablishment of CFC. He pointed out that thereafter Armistice Agreement responsibilities would not be under U.S. command, although the U.S. would maintain overall UNC authority until the signing of a peace treaty formally ending the Korean War. During 2006, the U.S. raised with the ROK the idea of transferring most of the 20 UNC functions currently performed by the U.S. to the ROK. The ROK reportedly would decide by June 2007 what UNC functions it wished to accept from the U.S.

A U.S. official privately said that the U.S. and the ROK would need to ensure that changes to UNC arrangements did not contravene the UN resolution on which the UNC was based. Traditionally, the United Nations exercised very limited oversight of the UNC, basically receiving only a single annual report from the UN Commander.

Many ROK officials expressed concern that dismantlement of CFC would also endanger U.S. support for the ROK in the event of war on the Korean Peninsula. Long-standing CFC Operations Plan (OPLAN) 5027 reportedly called for the United States to dispatch to Korea 690,000 U.S. troops with 1,600 aircraft and 160 ships, including five aircraft carriers, within 90 days of the start of hostilities. U.S. support on that scale might not necessarily be included in a new full-scale war OPLAN under the successor arrangements to CFC.

While the U.S. would remain committed to the defense of the ROK under their Mutual Defense Treaty, a former high-ranking ROK military officer argued that the dispatch of U.S forces to the ROK would occur automatically and more rapidly under the current OPCON agreement. If only the general provisions of the Mutual Defense Treaty applied, he said, the U.S. Congress would have to take action to authorize U.S. troop deployments.

Despite much speculation on the part of opponents of the transfer that it might mean additional reductions in USFK personnel, Deputy Under Secretary of Defense Lawless repeatedly offered assurances that no further major reductions were planned or anticipated. General Bell said that none of the U.S. troop reductions in Korea were related to the issue of OPCON transfer.

VI. UPGRADING ROK MILITARY CAPABILITIES

In preparation for the transfer of wartime OPCON, the ROK military had been conducting a series of force improvement programs called *Yulgok* since the mid-1970s. In 2006, it was in the midst of "Defense Reform 2020," which was announced by the ROK government in 2005. Defense Reform 2020 was focused on "transforming the [ROK's] manpower-oriented, quantitative force structure to an intelligence and knowledge-oriented, technology-intensive force structure." By 2012, ROK officials said, the reform plan would provide ROK forces with all necessary capabilities to exercise wartime OPCON, with the exception of some "bridging" capabilities that the U.S. committed to continue to provide until the ROK could assume those responsibilities as well. The United States also said it would provide $10 billion in support for South Korean military modernization.

Over the course of Defense Reform 2020, the current ROK military manpower of 680,000 troops would be reduced to 500,000, and the ROK would acquire early warning aircraft, unmanned aerial vehicles (UAVs), and reconnaissance satellites to improve its early warning and target acquisition systems. By 2020, ROK forces would strengthen their intelligence, operational planning, and execution and joint battlefield management capabilities. Acquisitions and training for these missions would allow the ROK to assume the C4I (Command, Control, Communications, Computers, and Intelligence) and airpower duties that were being performed by the U.S. The South Korean concept of military reform was to build a traditional force, according to an ROK official, not a mobile one such as USFK. The ROK would focus on short-range transport vehicles, including landing craft, instead of those that could cover long distances.

The South Korean government planned to fund military reform by increasing its defense budget by 6-11% annually beginning in 2006, at a total cost of $620 billion. Some observers were concerned that President Roh or his successors or the

National Assembly might not support such funding levels. Many ROK officials confidently argued, however, that Defense Reform 2020 was based on a technical military assessment and would be supported by the current and future ROK administrations.

Sometimes unclear in discussions on the upgrading of ROK forces was which capabilities the ROK aimed to match: those of the U.S. or of North Korea. According to a U.S. official, some ROK experts compared the ROK military to the U.S. military when it should actually be compared to that of the North. The US 2nd Infantry Division, according to a ROK official, had more capability than the entire ROK Army core headquarters, the equivalent of four divisions. On the other hand, North Korea's million-man military vastly outnumbered South Korea's 680,000 military personnel, but the South's weapons systems and defense industrial complex were far more advanced than the North's.

As noted above, the United States promised to provide the ROK with "bridging" capabilities temporarily to help it meet shortfalls in capabilities as OPCON was transferred, and thereafter to provide certain "life of the alliance" capabilities. USFK Commander General Bell stated that South Korea was already capable of taking over full OPCON of its forces by 2009 with little risk, given that the U.S. was prepared to provide such bridging capabilities. Under tentative plans, USFK-provided bridging capabilities would include the continued operation of weapons systems such as the KH-12 satellite, U-2 spy aircraft, and F-16 fighter jet.

VII. PROSPECTS

As of the end of 2006, ROK opponents of the transfer continued to hope that the U.S. government would change course. They argued that the North Korean nuclear weapon and long-range missile tests made an early transfer of wartime OPCON inadvisable. They hoped that the resignation of Secretary of Defense Rumsfeld, who was known to be a very strong supporter of the OPCON transfer, or the December 2007 ROK presidential election or the November 2008 U.S. presidential election might bring about a delay or cancellation in the transfer. It appeared unlikely, however, that the opponents' hopes would be realized. President Roh continued strongly to support the transfer, and Rumsfeld's successor as Defense Secretary, Robert Gates, declared at his Senate confirmation hearing that he was committed to the OPCON transfer.

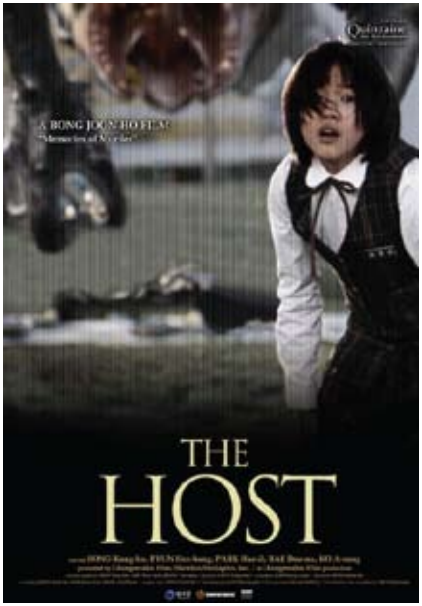
THE STATUS OF FORCES AGREEMENT

Junghwa Lynn Pyo

I. INTRODUCTION

In 2006, the Korean film *Host* (the Korean title was *Monster)* was watched by thirteen million Koreans to become the highest-grossing Korean movie ever. Its premise—toxic waste dumped into the Han River in Seoul by an American turns a fish into a dangerous monster—was suggested by an actual event. In 2000, a U.S. Forces Korea (USFK) mortuary worker poured formaldehyde into a drain leading to the Han River. The incident angered environmentally aware Koreans and sparked a renewed debate about the fairness of the U.S.-Korea Status of Forces Agreement (SOFA) defining the rights and responsibilities of U.S. personnel stationed in South Korea. *Host* quickly became one of the year's most talked-about movies, and another round of public debate in Korea about the SOFA ensued.

With its headquarters located in the heart of Seoul and scores of bases throughout South Korea, USFK was a very visible entity in Korea. Discontent with the USFK or U.S. policy in general often led to South Korean public criticism of the SOFA and calls for its revision. Such sentiments blazed when incidents involving USFK occurred.



Traditionally, the South Korean focus was on offenses by USFK personnel, such as murder and sex crimes, and the related issue of whether the accused would be tried in Korean civilian courts or American military courts-martial. Recently, however, the Korean public became equally concerned about environmental protection issues. The 2000 formaldehyde incident was a case in point, and popular concern about the environment only increased since then. During U.S.-ROK negotiations in 2006 on the realignment and reduction of U.S. Forces Korea, soil and water in U.S. bases to be returned were found to be contaminated by fuels and other toxins, prompting public demands for the U.S. to pay for the clean-up and renewed calls for stronger environmental protection provisions in the U.S.-ROK SOFA.

II. OVERVIEW OF SOFAS GLOBALLY

At the end of the Cold War, the U.S. maintained permanent SOFAs with approximately 40 countries. As of 2006 the number had grown to more than 90. Although each SOFA was negotiated individually with the host country, all SOFAs normally dealt with issues necessary for the day-to-day business of U.S. forces stationed abroad, such as personnel entry into and exit from a country, employment of host-nation workers, claims, contractors, and applicability of host-country income and sales taxes. U.S. SOFAs were generally similar but details varied to reflect unique circumstances in each host country. Increasingly, countries other than the U.S., including South Korea, were negotiating SOFAs with countries to which they had dispatched their own military personnel.

III. THE U.S.-ROK SOFA

After the end of the Korean War in 1953, the U.S. and South Korea concluded a Mutual Defense Treaty as a means to deter further North Korean aggression.

In accordance with article 4 of the treaty, the ROK granted the U.S. the right to station army, navy, and air forces on Korean territory. However, a U.S.-ROK SOFA was not signed until 1966, reflecting controversy over SOFA provisions even at that early date. Among the deepest-held popular beliefs was that the U.S.-ROK SOFA was not as fair to the host country as the U.S.-Japan and U.S.-German SOFAs.

IV. MAJOR ISSUES REGARDING THE U.S.-ROK SOFA

In some host countries, especially those with a large U.S. military presence such as South Korea and Japan, SOFAs with the U.S. were perennially a major political issue. A complicating factor was that many host countries' citizens had mixed feelings about foreign bases on their territory; thus, demands to renegotiate the SOFA were often combined with calls for foreign troops to withdraw. In the case of South Korea, four aspects of the SOFA—the environment, criminal and civil jurisdiction, U.S. military areas and facilities, and privileges and immunities—constituted the most prominent issues in 2006.

1. ENVIRONMENT

With enhanced awareness of the environment in Korea in recent years, pollution on U.S. bases there became an important political issue in Korea. In addition, there appeared to be an increasing number of pollution incidents involving USFK. One cause of USFK environmental problems was the superannuated status of much of its infrastructure. Many USFK facilities were built in the 1950s, and some, such as fuel pipelines, dated back to the Japanese colonial period.

To address growing popular concern, especially after the formaldehyde incident, the U.S. and South Korea signed a "Memorandum of Special Understandings on Environmental Protection" as part of a revision of the SOFA in 2001. In the memorandum, the two countries agreed on procedures to share environmental information and to conduct joint investigations, remediation, and implementation.

The 2001 memorandum appeared to have strengthened environmental protection in the U.S.-ROK SOFA beyond that in the U.S. SOFA with Japan. The U.S.-ROK memorandum was binding and inseparable from the SOFA. While the U.S. and Japan had a joint declaration on the environment, it was not part of the SOFA. With the signing of the 2001 U.S.-ROK memorandum, the envi-

ronmental protection agreements that the U.S. had with host countries in Korea, Japan, and Germany became similar in substance. In all cases, the U.S. and the host country agreed to work together to notify the other when incidents of pollution occurred and in investigating and remediating problems.

In principle, the U.S. followed U.S. environmental regulations on its bases in Korea. When those regulations were not consistent with Korean law and regulations, the U.S. agreed to apply and enforce the stricter standard. The U.S. undertook periodic reviews of its Environmental Governing Standard (EGS) to ensure that it accommodated the latest environmental regulations. Since Korean environmental law could not be applied directly on U.S. bases, the U.S.-ROK SOFA required the two countries to react jointly to environment pollution caused by USFK. When USFK environmental pollution posed a "known, imminent, and substantial endangerment to human health," officers at the concerned U.S. base were required to notify local Korean government authorities. Thereafter, the U.S. and the ROK would begin consultations for an investigation of the polluted area by USFK and the ROK Ministry of Environment. When such a joint investigation determined USFK culpability, the U.S. bore responsibility for remediation.

Evaluating environmental damage demanded expertise and time to detect the source and scale of pollution, and the cost of remediation was often high. As the history of joint cooperation on environmental issues was relatively short, effective implementation of the new SOFA environmental provision would require significant effort on both sides. The South Korean government and public regarded plans for USFK to return many of its bases as an important opportunity to establish precedents regarding USFK environmental protection. In any event, with heightened awareness about the environment in Korea and the increasing activities of South Korean environmental NGOs, environmental issues involving USFK appeared likely to remain of great interest to Koreans.

2. JURISDICTION

One of the most important aspects of a SOFA regarded which country had civil and criminal jurisdiction in cases involving foreign forces. The starting proposition of most SOFAs was that the host country exercised complete authority over all of its territory and anyone on that territory.

For the U.S., the SOFA was a means by which the Department of Defense protected the rights of U.S. military personnel who might be subject to criminal trial by foreign courts and imprisonment in foreign prisons. For the host country, the

SOFA was a means of ensuring that its domestic law and regulations were properly respected in order to protect its legal system and the safety of its citizens.

Most SOFAs recognized the host government's right to "primary jurisdiction," i.e. the host country exercised jurisdiction in all cases in which U.S. military personnel were accused of violating the host country's laws. Two exceptions existed: 1) when the offense was committed by Americans under SOFA status against other Americans under SOFA status (*inter se* cases), and 2) when the offense was committed by Americans in the conduct of their official duties. In these situations, the U.S. had primary jurisdiction over the accused American. In practice, most crimes by USFK service members against local civilians occurred while off duty and, in accordance with the SOFA, were subject to Korean jurisdiction.

Since determining what constituted official duty was sometimes open to interpretation, the potential for conflict existed between the host country and the stationing state. The U.S.-ROK SOFA was revised twice. Both revisions were prompted by Korean public demands after controversies involving custody and jurisdiction issues. Controversy was of course greatest in the cases of charges involving serious crimes, such as murder, manslaughter, robbery, and sexual offenses.

Tensions could occur when the charge was defined differently by the legal systems of the two nations. In an incident in 2002 in which a USFK vehicle accidentally struck and killed two Korean schoolgirls, USFK determined that the soldiers involved had been on official duty and thus they were tried under U.S. criminal jurisdiction. A USFK court martial panel, finding no criminal intent or negligence, ruled the act to have been an unavoidable accident and acquitted the service members. The decision prompted widespread protests across Korea and demands that the soldiers be retried in a Korean court. Some observers said that the Korean reaction reflected, in part, differing legal systems and cultures in the two countries regarding the handling of serious traffic accidents.

Different national practices might also result in tensions. While the U.S. and host countries generally agreed on what constituted a crime, many U.S. observers felt that host-country justice systems granted weaker protections to the accused than the U.S. and that host-country courts could be subject to popular pressure to deliver a guilty verdict. A fundamental U.S. concern was that American service members ordered to a foreign posting should not be forced to give up the rights afforded to them under the Bill of Rights of the U.S. Constitution. Host country citizens, however, sometimes felt that the U.S. was making excuses to ensure special treatment for U.S. military personnel being tried or incarcerated by host-country authorities.

3. AREAS AND FACILITIES

Most SOFAs made provision for the host country to lend areas and facilities for use by foreign forces. The process, however, differed in each country according to specific conditions and cases. In principle, the South Korean government lent public land for USFK's use, while the U.S. paid for its facilities. In practice, however, the Korean government offered significant support for the construction of USFK facilities. Korea also compensated USFK for some of its other local stationing costs, although not as much as did Japan and Germany.

Some "burden-sharing" aspects of the U.S.-ROK SOFA were more favorable to the host country than were the U.S. SOFAs with Japan or Germany. The major difference was that when the U.S. returned areas or wished to change the purpose for which an area was used, Article 2 of the U.S.-ROK SOFA required the bilateral SOFA Joint Committee to reach agreement, while there was no such obligation in the U.S.-Japan and U.S.-Germany SOFAs.

4. PRIVILEGES AND IMMUNITIES

Host-country nationals naturally tended to regard different legal provisions for foreign military personnel as unequal and unfair. Foreign military personnel stationed abroad, however, were not like foreign tourists or businesspeople who were entirely subject to local jurisdiction. Like diplomats, who had a special status under international conventions, foreign military personnel were ordered abroad by their government to conduct official business.

Thus, U.S. service members stationed in South Korea, as in other countries, had particular privileges and immunities reflecting their special status and their need to conduct military missions. Accidents while on duty were tried in U.S. courts-martial, and tariff and tax immunities were provided to support their activities in Korea. Also, for entry and exit, instead of using the international airport, U.S. service members could use U.S. military aircraft and cross borders with military travel documents.

In principle, privileges and immunities applied only in the case of official activities. In practice, however, there was a gray area in which private activities were sometimes indirectly related to official activities. The issue of which side had the right to make the final decision as to whether an activity was official remained controversial.

To resolve such issues, both countries engaged in close and active consultations over the years. The two SOFA revisions (the first enacted on February 1, 1991, and the second on April 2, 2001) in part addressed Korean concerns about the appropriate balancing of USFK privileges and immunities. In the first revision, changes were made to expand the realm of Korean investigative authority. In the second revision, improvements were made in the areas of criminal jurisdiction, environment, labor, inspection of animals and plants, lending and return of facilities and areas, tax-exempt institutions, and court jurisdiction over egregious crimes involving murder and rape.

In matters concerning USFK privileges and immunities, effective management and implementation of the SOFA were as important as revised language. Important tasks included educating legal authorities and local governments about the SOFA and helping them to implement the SOFA correctly, as well as providing guidance on how they should handle issues not stipulated in the SOFA.

V. TENSIONS OVER SOFA REVISION

Although tensions remained between the U.S. and the ROK over some SOFA provisions even after the 2001 revision and some Koreans continued to call for further changes, the U.S. showed little willingness to consider another revision. SOFA negotiations had proved to be painstaking and time-consuming, with the second revision taking many years of effort. In earlier negotiations, the U.S. objected to the large number of changes demanded initially by the ROK. For the U.S., the U.S.-ROK SOFA was but one out of its many SOFAs; it was therefore hesitant about making revisions that could establish precedents for its other SOFAs. The U.S. also insisted on many SOFA provisions as necessary for the maintenance of internal military discipline.

In Korea, various NGOs continued in 2006 to argue for actual "improvements" and not mere "revision" of the SOFA. Some observers suggested that such calls for revision would gain in persuasiveness if based on broad, comparative studies of U.S. SOFA agreements with other countries and examination of South Korea's SOFAs with other states, such as the 2002 South Korea-Kyrgyzstan SOFA.

VI. CONCLUSION

As overseas deployments were naturally sensitive and important matters for both sending and receiving countries, careful thought needed to be given to SOFA arrangements and what additional provisions might be necessary. Once the SOFA was agreed upon or revised, the question of SOFA interpretation and implementation posed an important challenge.

The U.S. and South Korea reaffirmed the importance of the SOFA to the alliance on many occasions. Although there was no major, immediate problem in 2006 regarding the U.S.-ROK SOFA apart from pollution in areas the U.S. intended to return, issues regarding the agreement had the potential to flare into controversy at any time.

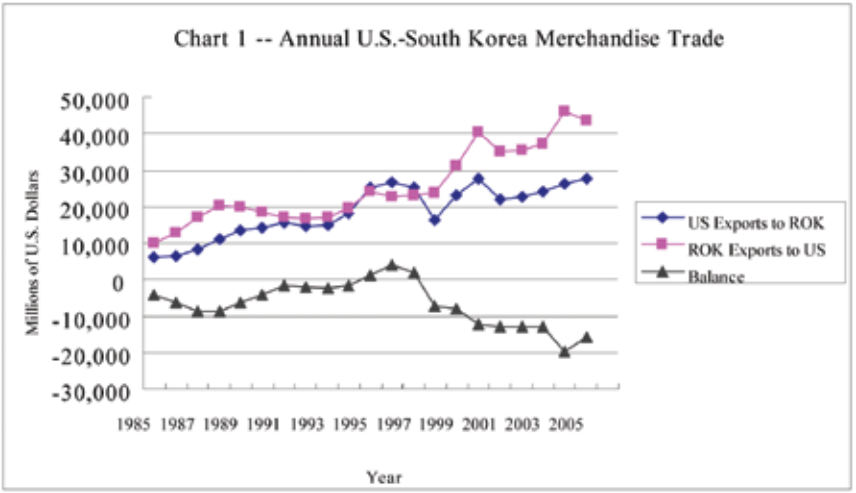
To minimize misunderstandings, Americans and Koreans needed to make greater efforts to understand the SOFA and each other's perspectives and concerns. Fortunately, along with increased awareness of, and interest in, the SOFA on the part of both the governments and NGOs, more information had become available through books, research papers, seminars, and the Internet. Such developments made fact-finding easier, opening the path toward better understanding and implementation of the U.S.-ROK SOFA.

SOUTH KOREA – U.S. ECONOMIC RELATIONS AND BILATERAL FREE TRADE NEGOTIATIONS

Junko Saito

I. THE ECONOMIC RELATIONSHIP

In 2006, South Korea and the U.S. continued to be major trade and investment partners. Bilateral trade was $78 billion, an increase of $7 billion over 2005. U.S. exports to the ROK reached levels not seen since before the Asian financial crisis of 1997, but Korean exports to the U.S. increased even more, widening the U.S. bilateral trade deficit. (See Chart 1.)



Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch

The ROK was the United States' seventh-largest trading partner, after Canada, Mexico, China, Japan, Germany, and the United Kingdom. Its primary exports to the U.S. were cellular phones, cars, semiconductors, televisions, flat panel screens, and construction vehicles. Korean companies in major industries had steadily increased their market share in the U.S. over the past few decades.

The Korean economy relied heavily on the U.S. The U.S. was the ROK's third-largest trading partner after China and Japan, and its largest contributor of FDI. (See Chart 2.) The most important U.S. exports to Korea were agricultural products, semiconductors, machinery, and aircraft. In October 2006, Boeing sold fifteen aircraft to Korean Air worth $5.5 billion, the largest order ever for the national airline. With Korea's airline industry expected to grow at 5-6% a year over the next two decades, American companies stood to profit further from such sales.

Chart 2: Economic Interdependence in 2005

	Total Trade	Export Market	Source of Imports	Source of FDI
For the U.S., the ROK ranks	#7	#7	#7	#28
For the ROK, the U.S. ranks	#3	#2	#3	#1

Source: CRS Report for Congress, "The Proposed ROK-U.S. Free Trade Agreement"

While the ROK and the U.S. had been strengthening their economic ties, a recent financial scandal revealed complications in the relationship. In November 2005, ROK prosecutors alleged illegal activities in the 2003 sale of Korea Exchange Bank (KEB) to Lone Star, a U.S. private equity firm. Lone Star and KEB were accused of manipulating the share price of KEB Credit Services in order for KEB to buy out minority shareholders at a lower price. In light of the investigation, Lone Star canceled an agreement to sell its controlling stake in KEB to Kookmin Bank.

II. FREE TRADE AGREEMENT NEGOTIATIONS

1. BACKGROUND

The year 2006 saw a historic step in ROK-U.S. economic relations. On February 2, the two countries announced their intention to begin negotiations on a free trade

agreement, which they referred to as the KORUS FTA. The two sides worked intensively throughout the year to conclude KORUS FTA negotiations before the expiration of U.S. trade promotion authority (TPA) on July 1, 2007. TPA, formerly known as "fast-track authority," was legislation passed by the U.S. Congress granting authority to the president to negotiate trade agreements that the U.S. Congress may approve or reject but not amend. Without TPA, Congressional passage of any free-trade legislation was considered by most experts to be highly unlikely. TPA required the president to notify Congress 90 days in advance of the signing of a potential trade agreement, so the two countries needed to complete negotiations before April 2, 2007.

2. THE SIGNIFICANCE OF A KORUS FTA

The KORUS FTA would have significant effect on economic growth and stability in both countries. The FTA would facilitate a substantial increase in exports and strengthen the presence of each country in the other's region.

In a February 2 press conference, U.S. Trade Representative Rob Portman said that a KORUS FTA "is the most commercially significant free trade negotiation we have embarked on in 15 years…. Removing trade and investment barriers between our two nations through an FTA will increase market access for our farmers, ranchers, workers, and businesses to the dynamic and growing Korean economy, boosting trade in goods and services." Not only would exporters gain – the U.S. would also bolster its strategic presence in Northeast Asia.

An FTA with the U.S. had been President Roh Moo-hyun's long-held goal. In the February 2 announcement of the intention to negotiate a KORUS FTA, Korean Trade Minister Kim Hyun-chong emphasized the importance of trade for the ROK, noting that "70 percent of our GDP is dependent on trade. We have to trade ourselves out. … So we have no choice. We have continued to reform and liberalize."

ROK officials recognized that a major economic benefit of an FTA with the U.S. would be to strengthen the ROK's competitiveness in the long run by introducing additional U.S. investment and technology. In addition, from a strategic point of view, some Koreans and Americans thought that the KORUS FTA would strengthen the ROK-U.S. alliance, which had been focused on the deployment of U.S. forces based in the ROK and on dealing with the challenges posed by North Korea. President Roh stated on February 2 that an FTA would improve the ROK's position in Northeast Asia "by increasing its status as a middle power, [and] also by ensuring that the U.S. presence remains a strategic and economic counterbalance to China and Japan."

3. TIMELINE OF THE KORUS FTA NEGOTIATIONS

According to Inbom Choi and Jeffrey J. Schott of the Institute for International Economics in Washington, D.C., the ROK and the U.S. first discussed the idea of a KORUS FTA in the 1980s. Due to the rapid increase in the ROK's exports to the U.S., the ROK faced severe U.S. economic sanctions under section 301 of U.S. trade law. In addition, as a result of the 1994 North American Free Trade Agreement (NAFTA), the ROK faced discrimination in the U.S. market. Under these circumstances, the ROK approached the U.S. about creating a bilateral FTA in the late 1980s. The U.S. was interested in expanding exports to the Korean market, and informal discussions and feasibility studies were initiated. Nevertheless, the two countries continued to focus more on multilateral trade fora such as the Uruguay Round and the WTO.

In November 1999 and again in May 2001, Max Baucus, a Democratic member of the Senate Finance Committee, introduced a bill calling for an FTA with the ROK. His draft legislation followed years of pressure from the ROK and U.S. business communities for a bilateral FTA. In 2001, the Finance Committee requested that the International Trade Commission (ITC) study the potential economic impact of a KORUS FTA. The ITC subsequently projected that, within four years of FTA implementation, U.S. exports to the ROK would increase by 54% while imports would rise by 21%. (The larger increase in U.S. exports would be a function of Korea's higher initial tariffs.) The ITC estimated that the FTA would boost U.S. GDP by 0.2% and Korean GDP by 0.7%. An earlier study by the Washington-based private Institute for International Economics produced similar results. Both studies concluded that a KORUS FTA would have a positive economic impact: U.S. companies would enjoy improved access to the ROK market, and Korean companies, responding to increased competition, would boost their efficiency, enabling them to compete better not only in the U.S. but also globally.

In addition to FTA discussions, the two countries had considered since the late 1990s the possibility of a bilateral investment treaty (BIT) aimed at improving the climate for foreign investors. Though formal talks were initiated in 1998, they were ultimately unsuccessful, mainly due to U.S. objections to the ROK's movie screen quota requiring Korean movie theaters to dedicate 40% of showings to domestic films.

Before the official announcement on February 2 of their intention to negotiate a KORUS FTA, the two governments had spent several years in informal discussion. The U.S. commitment to the goal of an FTA came after the ROK government assured the U.S. of its political will for economic reform. The U.S. also reportedly made clear

to the ROK that it would need to make four changes for the FTA negotiations to be successful: a reduction of the film quota, changes in the pharmaceutical pricing system, changes in domestic taxes on imported autos, and the reinstatement of U.S. boneless beef imports, which had been banned since bovine spongiform encephalopathy (BSE or "mad cow" disease) was discovered in the U.S. in 2003.

4. NEGOTIATION ROUNDS

By the end of 2006, the two countries had held five rounds of FTA negotiations. Before the first official round, held June 5-9 in Washington, the two countries exchanged draft agreements, and during the meeting they reviewed their respective proposals line by line.

The second round was held July 10-14 in Seoul. The negotiations on pharmaceuticals were suspended because the U.S. disagreed with the ROK's decision on health care system reforms. Despite this disagreement, the two countries agreed on the framework for a tariff concession schedule for goods and they also agreed to exchange tariff offers for goods, textiles, and agricultural products in August 2006.

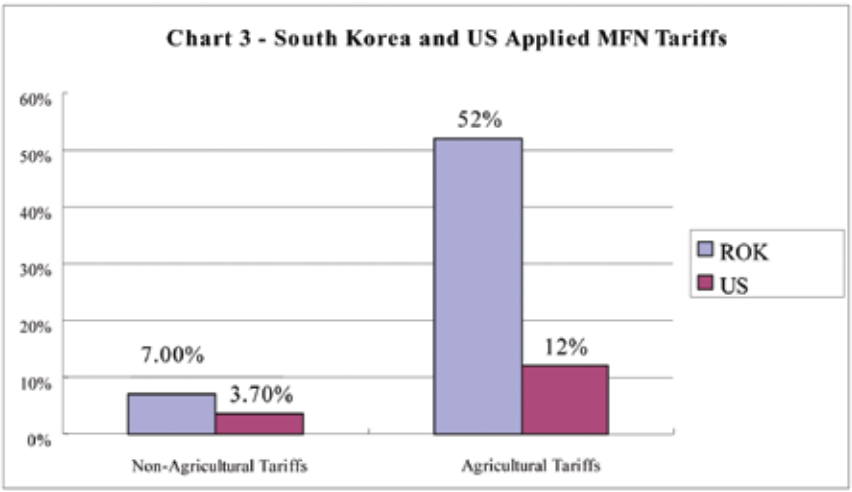
The third round was held September 6-9 in Seattle. Each country strongly requested that the other further improve its tariff offers. During this round, hundreds of Korean and U.S. protesters demonstrated outside the conference hall each day against an FTA. Nine Korean protesters were detained by police for trying to march into the building where the negotiations were being conducted. Korea expert Bruce Klingner observed that the two countries had made almost no progress on increased market access in the third round. The lack of progress, however, reportedly underlined for Trade Minister Kim and President Roh the need for intensified efforts to meet the TPA deadline.

The fourth round was held from October 23-27 on Jeju Island. The two countries began to make progress, and they looked toward the fifth round – held in Montana, a major U.S. beef-producing state and the hometown of KORUS advocate Senator Baucus. Some observers reported that Montana was chosen to increase pressure on the ROK to liberalize its beef market. In this fifth round, the ROK pushed the U.S. to make concessions on its anti-dumping measures and countervailing duties. The U.S. refused Korea's requests, leading to the suspension of not only the trade remedies negotiation but also of discussions on autos and pharmaceuticals, both sectors important to the U.S. Despite these problems, the countries made progress in less-sensitive areas, including trade in various goods and services, as well as intellectual property rights.

5. U.S. INTERESTS

(a) Agriculture

Although agriculture now accounts for only about 7% of total employment in the ROK, the sector enjoys disproportionately strong domestic political support. Thus, while the average ROK tariff for non-agriculture products is 7%, its average tariff for agriculture products is 52%, much higher than that of the U.S. (See Chart 3.) Negotiations on trade in agricultural products, especially access to the ROK rice market, generated strong opposition in the ROK. ROK farmers engaged in determined protests against a KORUS FTA. The Korean government stood its ground during the KORUS FTA talks, with an official at the Ministry of Agriculture and Forestry reportedly warning, "If the U.S. takes issue with the ROK's closed market for rice, the ROK will risk breaking off negotiations with the U.S."



Source: USTR, WTO

(b) Beef

As noted above, Korea banned all imports of American beef due to the discovery in December 2003 of BSE in a cow in the U.S. (thought to have been imported from Canada, with which the U.S. shared an open market). The ROK had been the third-largest market for U.S. beef exporters, consuming $815 million worth in 2003. In January 2006, the ROK partially lifted the import ban, allowing imports of boneless cuts (only) from cattle less than 30 months old. (Some believed that bone-in cuts of meat carried a greater risk of BSE.) However, the ROK government rejected the first three shipments of U.S. beef after inspectors found them to contain small bone fragments. In December 2006, the U.S. National Cattlemen's

Beef Association criticized the decision as "political and fundamentally protectionist," adding that "it is impossible to remove all bone fragments from exported beef."

Technically, beef was a separate issue from the KORUS FTA, but the U.S. maintained from the beginning of the negotiations that Congress would not approve an FTA agreement unless the ROK fully reopened its market to American beef, both boneless and bone-in.

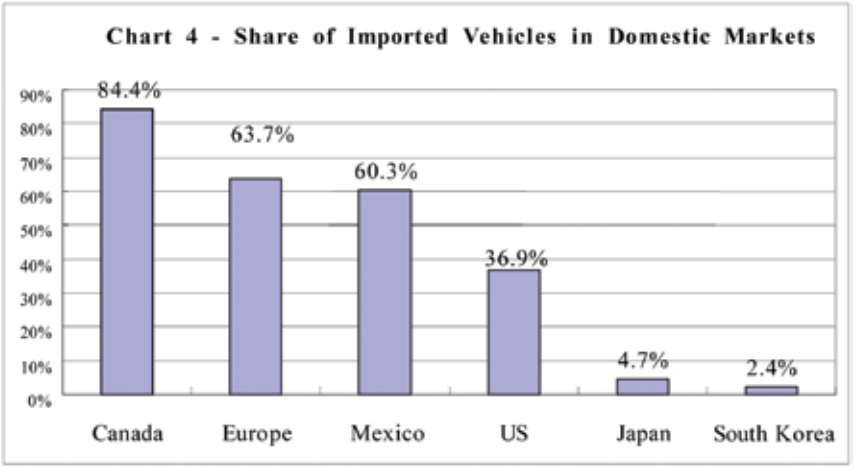
(c) Pharmaceuticals

Faced with mounting costs in its national healthcare system, Korea's Ministry of Health and Welfare announced a new drug pricing policy in May 2006. The switch was from a "negative list system," in which all drugs not cited were eligible for reimbursement, to a "positive list system," in which *only* listed drugs would be eligible for reimbursement. The ROK said that the reform was necessary to reduce its heath care deficit and protect Korean customers from excessive costs. American pharmaceutical makers, however, were concerned that many of their products would not be included in the list of covered drugs. The U.S. government felt that American companies, which focused on the development and production of innovative and expensive drugs, would lose, while Korean manufacturers, which focused on generic medicines, would gain. The ROK policy announcement undid a U.S.-ROK understanding that had reportedly been reached in the pre-negotiation phase, resulting in a "semi-breakdown" in the FTA talks. The announcement apparently came as a surprise not only to American FTA negotiators, but also to the Korean Ministry of Foreign Affairs and Trade as well as to some Blue House officials.

(d) Automobiles

The ROK was a major auto manufacturing country, and enjoyed a significant presence in the U.S. market since the 1980s. With the increase in gasoline prices of the last several years, relatively small and fuel-efficient Korean vehicles became popular with Americans. In 2005, the ROK exported 730,000 cars to the U.S., capturing over 4% of the U.S. market. On the other hand, U.S. car companies faced difficulty in expanding their business in Korea, exporting only 5,800 vehicles in 2005. In the ROK, U.S. and all other foreign vehicle sales combined accounted for only 2.7% of the market, while foreign autos captured 36.9% of the U.S. market in 2004. (See Chart 4.)

The U.S. argued that non-tariff barriers severely limited sales in the Korean market over the last few decades. In the 1990s, the U.S. and the ROK signed two memoranda of understanding, in which Korea agreed to take measures to address the issue of U.S. auto imports. However, these memoranda were to no avail. The U.S. again requested that the ROK take measures to remove auto barriers, including tariff reductions and reform of the domestic automotive tax structure. (Korean auto taxes were based partly on engine size, making ownership of U.S. cars generally more expensive.)



Sources: U.S.-Korea Business Council, American Chamber of Commerce in Korea, Automotive Trade Policy Council

6. ROK INTERESTS

As noted above, the ROK overall had higher tariffs and non-tariff barriers than the U.S., and, as such, did not push as hard for improved market access as the U.S. However, the ROK did consider certain issues to be very important, such as the treatment of the Gaeseong industrial complex in North Korea and U.S. antidumping policies and countervailing duties.

(*a) Gaeseong Industrial Complex*

Located 40 miles from Seoul and just north of the Demilitarized Zone (DMZ), the Gaeseong industrial complex (GIC) was designed to promote peace and stability on the Korean Peninsula and to reduce "the presumed

costs of an eventual North-South reunification by introducing global economic standards to North Korea and linking North Korea to the global economy." GIC was established in 2004 using ROK capital and North Korean labor. The complex employed 10,100 North Korean workers as of September 2006, with eighteen ROK companies producing $7.5 million in manufactured goods through October 2006.

The ROK requested that the U.S. consider all exports from the GIC to be "made in the ROK," so that these products would enjoy FTA preferential treatment. In other Korean FTAs (including with Singapore, the EU, and ASEAN), its partners had agreed to do so. The U.S., however, clearly and consistently stated its objection to including GIC products under a KORUS FTA umbrella.

U.S. concerns about GIC reportedly included the fact that profits were given to the North Korean government and that working conditions for North Korean laborers might not meet international standards. Human rights NGOs and labor groups argued that North Korean workers in the GIC were being exploited, but the ROK government maintained that working conditions at GIC were better than elsewhere in North Korea. The U.S. also reportedly was concerned that hard currency earned by North Korea through leasing fees, taxes, and surcharges on DPRK laborers' income might be directed to North Korea's nuclear weapons program. North Korea's October 2006 nuclear test was presumed to have further complicated the ROK's effort to convince the U.S. to recognize products made in the GIC as "made in the ROK."

(***b) U.S. antidumping and countervailing measures***
For the past few decades, the ROK was concerned with U.S. antidumping measures and countervailing duties. As of February 2006, the U.S. had implemented 24 antidumping measures and countervailing duties on ROK exports. The ROK had challenged the U.S. six times in the World Trade Organization, claiming that U.S. antidumping measures and countervailing duties unfairly increased tariff rates on ROK exports. In the KORUS FTA talks, the ROK also criticized U.S. trade practices and laws, and insisted that the U.S. give the ROK preferential status in the U.S.'s antidumping and countervailing duties procedures.

7. PUBLIC OPINION

Seeing an FTA as an opportunity to expand its access to the ROK, the U.S. business community largely welcomed the KORUS FTA negotiations. When the U.S. and Korea first announced their plan to negotiate a KORUS FTA, it came as a surprise to many Koreans – but not to American business, which had been in communication with the U.S. government during the preparatory period. Overall, the U.S. business community was optimistic about the chances of success, despite the time pressures and opposition in both countries, according to Tami Overby, head of the American Chamber of Commerce in Seoul.

While the FTA was not a significant issue among the American public, many Koreans expressed strong opposition to it. Initially, the Korean public knew little about a potential FTA and had no strong opinion about it. Early in the talks, a KBC Media survey found that 58.1% of Koreans supported an FTA while only 29.2% disapproved. However, well-organized opposition groups conducted an effective pubic relations campaign, and public support dramatically declined.

In contrast, debate over such trade deals was generally more balanced in the U.S., with supporters and protestors both enjoying visibility. For instance, both pro-FTA and anti-FTA advertisements appeared in U.S. newspapers.

In the ROK, major businesses generally supported a KORUS FTA but took a low-profile approach. Some experts suggested that ROK businesses feared that anti-FTA groups might retaliate, perhaps with boycotts. Also, since Korean c*haebol* (conglomerates) would likely benefit the most from an FTA, they may have feared that industries suffering losses from an FTA might appeal to them for compensation.

Since the launch of the FTA negotiations, thousands of Korean protestors, including farmers, laborers, teachers and anti-globalization activists, continuously denounced a KORUS FTA. In November 2006, violent anti-FTA demonstrations across Korea injured 63 people, including 35 police officers, and caused major property damage. One of the largest anti-FTA groups, the Korean Alliance against KORUS FTA, claimed that "this FTA

will bring benefits only to a few big companies, not to the people. The Korean government has not considered any of the consequences of the FTA."

Some Korean service sector industries opposed an FTA that would introduce increased competition from American companies. For example, broadcasters enjoyed government policies limiting foreign ownership to 47% of the industry, but a KORUS FTA could remove this protection. While the Korean government had partial ownership of broadcasting stations, it had limited executive control and was thus unable to prevent them from voicing opposition to an FTA. Some broadcasters ran critical ads and even produced extended programs criticizing a KORUS FTA. One American expert suggested that general anti-American sentiment undergirded this opposition.

To increase public understanding and support for an FTA, President Roh appointed Han Duk-soo, a former senior foreign ministry official, as head of a task force to travel the country and educate the public about the benefits of an FTA with the U.S.

8. PROSPECTS FOR AN AGREEMENT

After five rounds of negotiations, the two countries remained divided over key issues, including pharmaceuticals, agriculture, and trade remedies. By the end of 2006, with the TPA "deadline" only three months away, both sides were gearing up to reach agreement on these contentious issues.

The successful completion of negotiations would carry significant implications. An FTA would strengthen the economic and political alliance between the U.S. and the ROK, and arguably improve both countries' strategic position in Northeast Asia. From the U.S. perspective, an FTA with Korea would balance increasing Chinese regional trade agreements. For the ROK, an agreement would make it the only country in East Asia to enjoy a bilateral FTA with the U.S., thus boosting its economic and diplomatic standing not only regionally but also globally.

KOREAN POLITICAL CULTURE AND U.S.-KOREAN RELATIONS

Eun-Ha Kim

I. INTRODUCTION

With an ever more open and participatory democracy, South Korea's complex and rapidly evolving political culture was a major factor in U.S.-ROK relations. The volatility of current Korean politics was illustrated by the outcome of provincial elections on May 31, 2006, in which President Roh Moo-hyun's Uri Party won only one of 16 key races. In parliamentary elections just two years earlier, his party had won 152 seats, representing an astounding three-fold increase in its share of the National Assembly's total of 299 seats. The 2004 parliamentary victory resulted in part from sympathy votes after the then-strong conservative opposition overreached by attempting to impeach Roh over relatively small violations of campaign finance regulations.

Elections in Rural Korea

Roh's own election as president in December 2002 came after polls early in the year showed the conservative candidate, Lee Hoi-chang, to be holding a commanding lead after four years of rule by progressive President Kim Dae-jung. (South Koreans generally use "progressive" rather than "liberal" or "left-wing"; the latter suffered from a longstanding, widespread popular association with "pro-North Korea" and "pro-Communist.") Roh, however, squeaked out a narrow victory by demanding a more equal U.S.-Korean relationship amidst massive popular protests against the U.S. South Koreans had been outraged by a U.S. court-martial's acquittal of two U.S. soldiers for the deaths of two Korean schoolgirls in a traffic accident. After 2004, President Roh's personal popularity dropped more or less steadily. By the end of 2006 it had reached a low of 10%, and opinion polls again projected a generic conservative candidate to have a large lead in the December 2007 presidential election.

Such political volatility was also reflected in South Koreans' views of the U.S.-ROK relationship. During the first half of President Roh's five-year term, what many observers branded as anti-Americanism embroiled Korean politics. Although after his election Roh himself sought to stabilize ties with the U.S. and generally cooperated with the U.S. on issues involving U.S. Forces Korea (USFK), President Bush's hard-line foreign policy toward North Korea became another focus of popular anger toward the U.S., especially after his inclusion of North Korea among the "axis of evil" countries in his first State of the Union address in January 2002. In 2003, opinion surveys found South Koreans harboring stronger anti-American sentiments than the people of any other U.S. ally. An opinion poll the following year showed that South Koreans viewed the U.S. as a greater threat to ROK national security than North Korea. By the second half of Roh's presidency, however, there had been a significant shift in popular opinion. In 2006, one survey found 18% more South Koreans supporting a stronger U.S.-ROK alliance than in 2003, and South Korean approval of U.S. policy toward North Korea had also increased substantially.

II. SOURCES OF KOREAN POLITICAL VOLATILITY

Such political volatility had many sources. Most observers attributed the changed atmosphere primarily to leadership and policy failures on the part of the Roh administration. They cited mounting domestic economic disparities caused by economic stagnation, a high real unemployment rate, and the existence of a real estate bubble in the greater Seoul area, where nearly half of the country's population of 49 million resided. As a result, most Koreans reckoned management capability to be the top qualification needed in the next president. It was thus no coincidence that, as of the end of 2006, opinion polls had Hyundai CEO-turned-politician Lee Myung-bak with a large lead the

presidential race.

Similarly, anti-American sentiments were generally attributed to specific issues and problems. From the fall of 1999, beginning with Associated Press's revelation of a U.S. massacre of South Korean civilians at Nogun-ri in the opening weeks of the Korean War, the South Korean media focused on American, especially USFK, misbehavior. A series of major stories over the next three years included an alleged increase in violent attacks on the Korean public by USFK personnel, the dumping of toxic formaldehyde in the Han River in Seoul by a USFK mortuary worker, "unfair" U.S. positions during negotiations for a revision of the U.S.-ROK Status of Forces Agreement (SOFA) establishing USFK personnel's legal status in Korea, a training incident at a U.S. Air Force target range near a South Korean village, and even an Australian referee's call against a South Korean short-track skater at the 2002 Winter Olympics in Utah.

South Korean media coverage of the deaths of the two schoolgirls in the USFK traffic accident in 2002 thus represented only the climax of a series of media reports about the U.S. As a result, South Korean popular support for the withdrawal of the U.S. troops increased by 10% between 1997 and 2002. Then, after Roh Moo-hyun's election as president in December 2002, as mentioned above, the South Korean media's focus of critical reporting about the U.S. shifted toward President Bush's "hard-line" approach to North Korea.

However, a focus on particular misdeeds and alleged misdeeds of the Korean progressives domestically and of the U.S. in its dealings with Korea could not provide a full or even an adequate explanation of the volatility of South Korean opinion. It was necessary to look deeper, especially at the complex and changing South Korean political culture.

1. THE SENSE OF KOREAN NATIONAL VICTIMHOOD

Koreans long had a strong sense of identity as a unique and ethnically homogeneous nation. Surrounded by the much larger states of China and Japan, Korea was a "shrimp among whales" and historically suffered numerous foreign invasions and raids. During the Goryeo (918-1392) and Joseon (1392-1910) periods, Korea suffered an average of one or two foreign raids per year. In the modern era, Japan fought two wars for control of Korea, first with China (1894-1895) and then with Russia (1904-1905). But it was Japan's harsh colonial rule of Korea from 1910 to 1945—Japan attempted to eliminate Koreans' identity as a separate nation—that embued Korean national identity with a particularly

strong sense of being a victim of foreign powers. The Korean name for this feeling was *han*, a complex and amorphous notion that was very inadequately interpreted as "grudge" or "resentment." The feeling persisted long after the ROK's engagement with the world and its dramatic economic development based on external trade. Thus, in an opinion poll conducted in 2006, about 70% of South Koreans said that Korea had not been treated correctly by the international community even in recent years.

Most Koreans—but few Americans—were aware that the U.S. government secretly assured Japan in 1905 that it would not interfere with Japan's ambitions on the Korean Peninsula, in exchange for Japan's recognition of the priority of American interests in the Philippines. In the ensuing decades, the United States ignored numerous pleas by Koreans seeking the overthrow of Japanese rule. With Japan's defeat in WWII, the U.S. again bitterly disappointed Koreans by dividing the country in half and occupying it with the USSR. The U.S. also insisted on a three-year trusteeship before restoring Korea's national sovereignty, despite the fervent wishes of the Korean people for immediate independence. Although unintended, the United States' decision to divide the peninsula could not be reversed. The resulting situation prevented the realization of Koreans' half-century-long effort for national independence based on their ethnic and cultural identity. Thus was laid the basis for many South Koreans to direct their anti-imperialistic feelings against the United States.

2. GENERATIONAL DIFFERENCES

Although the potential for anti-American sentiments thus already existed in Korean national identity many decades ago, the experience of the Korean War turned the generation that experienced it in a very different direction. Koreans over age 50 perceived the U.S. as their savior from North Korean aggression and as an indispensable ally. During the decades of the Cold War, Koreans were generally pro-American and staunchly anti-Communist. After the Korean War, most South Koreans focused domestically on lifting their families and their nation out of poverty, and, externally, on confronting North Korea and the greater communist threat in alliance with the United States. South Korean national identity was largely defined by anti-Communism and, to a lesser extent, anti-Japanese feeling. Authoritarian South Korean presidents, backed by military force, after Major General Park Chung Hee's 1960 *coup d'etat* repressed dissent as pro-North Korean and pro-communist. To this end, despite all of the events of succeeding decades, the older generation in Korea in 2006 remained largely pro-American, and, as Figure 1 shows, considerably more conservative than progressive.

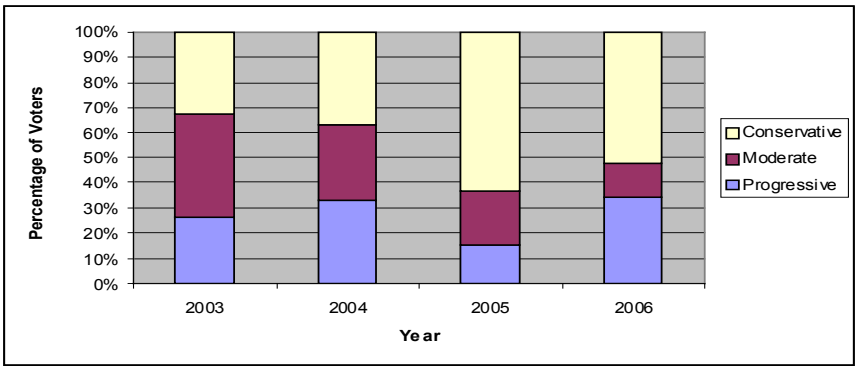


Figure 1. Political Leanings of Koreans Aged 50 and Above

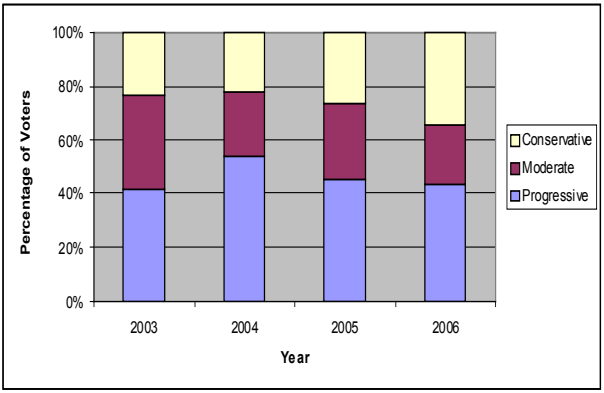
Source: Gallup Korea

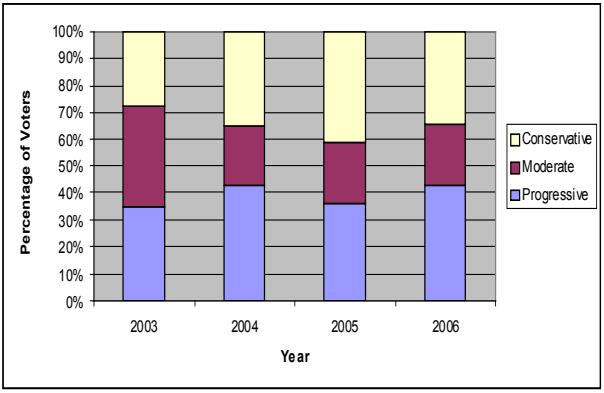
In contrast, the *386 generation* had a very different formative experience and developed a more progressive and nationalistic stance than their elders. (The phrase "386 generation" was wordplay on the name of a well-known Intel microprocessor; it referred to Koreans who at the time were in their 30s, had entered college in the 1980s, and were born in the 1960s.) After Park Chung Hee's assassination in October 1979, Korean students and intellectuals aimed for an end to authoritarian, military-dominated rule, but General Chun Doo Hwan staged a *coup d'état* only two months later. Students staged massive, nationwide demonstrations against Chun in May of the following year, and Chun responded with police and military force. In the city of Gwangju, the military acted with particular brutality, killing hundreds of young protesters. While Chun proceeded to firm up his grip on the levers of power, the Gwangju incident denied his government popular legitimacy and outraged and emboldened an entire generation of Koreans against him and his military-backed rule.

It was the Gwangju incident especially that also disposed the 386 generation to dislike and distrust the United States. Younger Koreans felt that the U.S. had the power to prevent Chun's rise to power but preferred to deal with an illegitimate and thus pliable leader rather than a strong, democratic South Korea. They cited in particular the United States' exercise of operational control (OPCON) over ROK forces as indicative of the United States' influence over South Korea in general and over the ROK military in particular. Chun exacerbated the situation by waging a "campaign of distortion" to persuade Koreans that the U.S. government under President Jimmy Carter and, later, President Reagan, was more supportive of his government than was actually the case. But the younger generation's perception of American perfidy was only strengthened when newly elected President Ronald Reagan made President Chun one of his first foreign guests at the White House in early 1981. The fact that the meeting was

part of a deal to save the life of dissident leader and Jeolla native Kim Dae-jung barely registered amidst the anger that younger Koreans felt toward Chun and the U.S. Thus, anti-American sentiment, which had long been dormant in Korean national identity, was kindled among the Korean 386 generation.

Throughout the 1980s, the protests of the 386 generation were directed almost as much against the U.S. as against Chun himself. Student activists committed a series of arson attacks against official U.S. cultural centers and other American facilities, including some that resulted in Korean fatalities. Since pro-Americanism had been associated with anti-North Korean views in the ROK, it was perhaps natural that the new anti-Americans tended to be very skeptical of the ROK's anti-North Korean propaganda, and some younger South Koreans even became pro-North Korean. The more progressive ideological orientation of the 386 generation remained to the present day. (See Figures 2-3.)





Figures 2 and 3. Political Leanings of Koreans in Their 30s & 40s, resp.

Source: Gallup Korea.

Eventually, after seventeen consecutive days of massive street demonstrations in 1987, with the participation not only of young people but also of middle-aged, middle-class Koreans, the Chun government promised real reform. A new South Korean constitution ensured democracy by providing for a direct, popular presidential election and limiting the president to a single, non-renewable five-year term. It took another decade, however, before younger South Koreans, whose sole purpose had been to replace authoritarianism, could develop civil society and dominate Korean politics, leading to the election of Kim Dae-jung as president in 1997.

3. CONFUCIAN PATRIARCHIALISM

Kim Dae-jung, while a lifelong opponent of right-wing governments, nevertheless represented the patriarchal, Confucian political culture of the older generation. With Korean political parties based less on ideology and policy than on the personal leadership of such charismatic "bosses," the "three Kims" (including President Kim Young Sam [1993-1998] and Prime Minister Kim Jong Pil [1971–1975; 1998–2000]) dominated Korean politics from 1993 through 2002. They ran their parties like modern fiefdoms where, according to Georgetown University Professor David Steinberg, "loyalty becomes personal, not institutional."

Party leaders engaged in opportunistic party mergers and alliances, regardless of ideology and policy, in their attempts to build winning presidential election coalitions. (See Figure 4.) For example, as leader of the progressive Millennium Democratic Party, Kim Dae-jung in 1997 aligned himself with conservative Kim Jong Pil, and progressive Roh Moo-hyun allied in 2002 with Chung Mong Joon, the conservative scion of the Hyundai conglomerate. Not surprisingly, both of these awkward alliances soon faltered, the Roh-Chung tie-up collapsing even before the presidential election was held. Transparency International thus ranked Korea 42nd out of 163 countries in 2006 in terms of popular confidence in the integrity of politicians, the lowest among all members of the Organization of Economic Cooperation and Development (OECD).

1987 Election	1988 Election	1992 Election		1996 Election	1997 Election
Democratic Justice Party					New National Party (1997)
Reunification Democratic Party	Democratic Liberal Party (January 1990)			New Korea Party (1996)	Grand National Party (1997)
New Democratic Republican Party				United Liberal Democrats (1996)	
Party for Peace and Democracy		Democratic Party	Democratic Party (1995)		
Hangyorae*			National Congress for New Politics (1995)		
People's*		Reunification National Party* (1992)			
	* Party dissolved				

Figure 4. Mergers and Splits among Political Parties in South Korea between 1987 and 1996

Source: Hoon Jeong, "Electoral Politics and Political Parties," in Institutional Reform and Democratic Consolidation in Korea, Larry Diamond and Doh Chull Shin, ed. (California: Hoover Institution Press, 2000), 58.

Roh Moo-hyun won election as president in December 2002 in significant part due to the support of the 386 generation, who hoped he would lead Korea beyond the era of the three Kims and its Confucian political traditions and patterns. Roh's efforts to deconstruct the imperial presidency and to overcome regionalism were genuine, but his lack of leadership experience and policy coherence resulted in many failures. He himself was also too mired in the old political antagonisms, resulting in increased political polarization and, ultimately, a conservative trend overall, particularly among Koreans in their 20s. (See Figures 5-6.) Ironically, attitudes toward the U.S. actually improved as Roh's time in office passed.

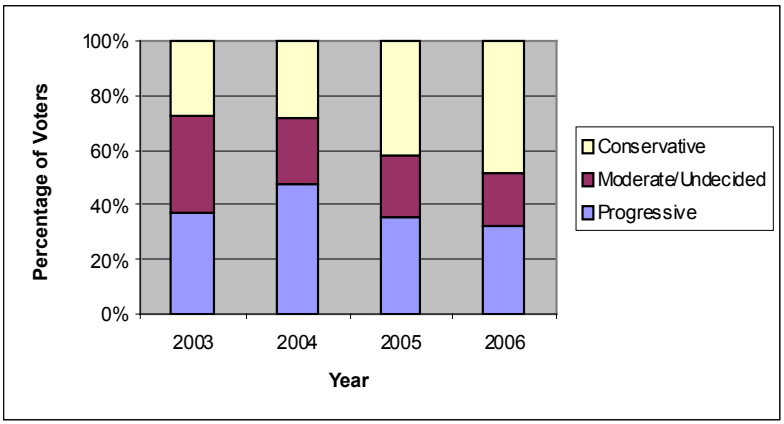


Figure 5. Political Leanings of Korean Voters Overall

Source: Gallup Korea

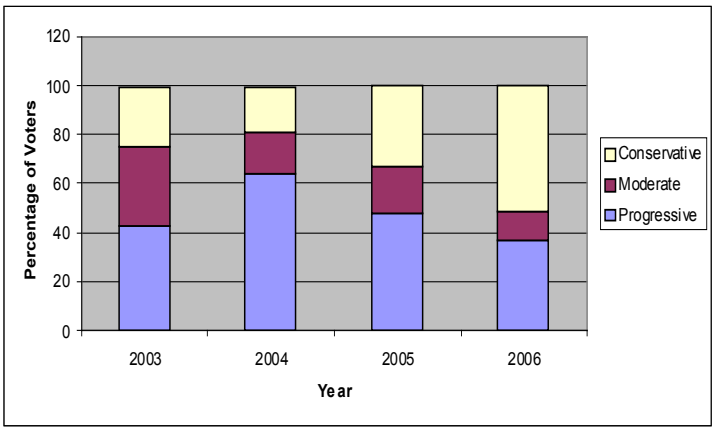


Figure 6. Political Leanings of Koreans in Their 20s

Source: Gallup Korea

4. REGIONAL DIFFERENCES

The three Kims bequeathed another Confucian tradition that also complicated the effort for democratic consolidation in South Korea and hurt U.S.-Korean relations: intensified regionalism within South Korea. The 7th presidential election, contested in 1971 between Kim Dae-jung and Park Chung Hee, resulted in a pattern of great electoral rivalry between the Honam area (consisting of North and South Jeolla Provinces in the southwestern part of the country) and the Yeongnam area (consisting of North and South Gyeongsang Provinces in the southeast). (Park was from Yeongnam, while Kim was from Jeolla.)

Since the democratization of 1987, most South Korean presidential candidates based their election strategies on the regional divide. Kim Dae-jung, for example, received 87% of Honam votes in 1987, 89% percent in 1992, and 93% in 1997, while Kim Young Sam received 69% of Yeongnam votes in 1992. The extremely one-sided voting in Honam reflected the fact that the people of the region felt they were discriminated against and victimized by central administrations dominated by presidents from Yeongnam.

III. THE EMERGING NEW GENERATION

With the rapidity of the ROK's economic, political, and social development, it was not surprising that the post-386 generation, with very different formative experiences than the 386 generation, would also have different views about Korea and its relations with the world. Raised after democratization and the end of the Cold War, and justly proud of the ROK's enormous accomplishments, the generation in their 20s no longer defined their identity against "the other" as their elders had, but by their own Koreanness. They enjoyed the ROK's status not only as an economic and technological power—Korea was the world's 12th-largest economy—but also as a new cultural force, especially in East Asia, where Korean music and dramas became very popular. National pride, not national humiliation, was their dominant feeling about their country.

Young Koreans were more pragmatic than ideological, more democratic than dogmatic. In the world's most wired country, virtually universal high-speed access to the Internet empowered them. They felt that participatory democracy was their birthright, also due to the growth of civil society throughout the 1990s and into the current decade in the form of tens of thousands of non-governmental organizations (NGOs). On the other hand,

having not participated in the demonstrations of the 1980s—for them the Gwangju incident was almost as distant a memory as the Vietnam War to young Americans—the new generation of South Koreans was not only more individualistic but also less political than their elders. In one survey in 2006, only 6% of college students said that their student government should focus more on political and social issues rather than on campus and educational concerns.

Young South Koreans also viewed North Korea and the U.S. differently from the 386 generation. While North Korea also appeared to them to be an obstinate brother, more to be pitied than deterred, it did not lead them to espouse pro-North Korean romanticism. For economic and security reasons, they were more opposed to the idea of rapid reunification with North Korea than were the older generations. Similarly, even though they also resented what they regarded as a unilateral U.S. foreign policy and an unequal alliance with the U.S., nearly eight out of ten Koreans in their 20s said they recognized the importance of the U.S.-ROK alliance—comparable to the figure of nine out of ten on the part of the Korean War generation. In other words, the emerging new generation distinguished Korea as a state from that as a nation and its civic/political identity from its ethnic/cultural identity.

IV. PROSPECTS

With the South Korean political cultural developing rapidly along with the country's economic and technological growth, a new sense of Korean identity—of a positive pride in being Korean—was beginning to supplant the older sense of victimhood and humiliation. South Korea's status as the world's most "wired" country was also contributing to the maturation of a participatory democracy. Thus, despite remaining challenges and uncertainties, there were many reasons to be optimistic about the prospects for South Korea. It also appeared likely that these developments would support the continuation and even strengthening of the U.S.-ROK alliance, *if* the United States returned to its own foreign policy traditions of multilateralism and genuine respect for human rights.

SOUTH KOREAN CULTURAL AND SOCIAL TRENDS

Zhang Lu

I. INTRODUCTION

U.S.-South Korean exchanges continued to become more of a two-way street in 2006 as South Korean cultural and social expression flowered in the wake of the ROK's tremendous economic growth. The year 2006 saw dynamic developments in these areas in South Korea, changes which were profoundly influencing Koreans' view of themselves and their place in the world, including their relationship with the United States.

In 2006, Korean pop culture continued its charm outreach into Asia, the U.S., and beyond. Rapid progress in information technology made Korea one of the most "wired" nations in the world, allowing its citizens not only to learn more about the world but to assert themselves globally as well. Citizen journalism, a new-born phenomenon only several years ago, achieved extensive popularity and its impact was felt even in the political and diplomatic fields. There were vigorous cultural and social exchanges between Korea and the United States, and the Korean ethnic community in the U.S. received more recognition for its positive and important role in economic and social development. It also appeared that the U.S. was moving to allow South Koreans to tour the U.S. without visas.

II. KOREAN WAVE (HALLYU)

In recent years the "Korean Wave" (*hallyu*) of Korean cultural products, especially films, TV dramas, and music, swept through much of Asia and arrived on American shores as well. In 2006, the Korean Ministry of Culture and Tourism intro-

duced a set of initiatives to diversify the contents of *hallyu*, sustain its on-going momentum, and extend its reach to more Asian countries, such as Mongolia, and even to Eastern Europe and South America. Minister Kim Myung-gon announced 30 priority cultural programs, including a "6H" approach focused on the promotion of six traditional aspects of Korean culture: *hangeul* (the Korean alphabet), *hansik* (food), *hanbok* (clothes), *hanok* (houses), *hanji* (mulberry paper), and *eumak* (music).

Hallyu's impact extended to many countries, even to South Korea's reclusive neighbor North Korea. A former high-ranking North Korean official who defected to the South said, "These days, among young North Koreans, South Korean culture is rapidly spreading." Another former North Korean government official added, "There are about 1,000 tapes of South Korean dramas and movies floating around Pyongyang." Kim Jong Il, apparently concerned, reportedly issued a directive to counter the phenomenon.

Xinjiang, the remote western province of China, also came under the Korean Wave spell. When 27 students from Seoul's Kwangwoon University gathered to barter 200 *hallyu* items with their Chinese counterparts, their framed pictures of actress Lee Young-ae, bottles of soju liquor, and Korean music albums were soon traded. The wave also started to reach Central Asia and beyond. In Egypt, the 2003 TV series Daejanggeum drew big audiences.

Japan's new first lady, Akie Abe, was known to be an avid Korean TV drama fan. Her favorite Korean soap opera was "Winter Sonata," and she was said to be particularly fond of actors Bae Yong-joon and Park Yong-ha. She took Korean language classes once a week, and many Japanese and Koreans expected her to play a special role in improving strained Japanese-Korean relations.

Among Korean cultural products, Korean films were perhaps the best received and most highly regarded. The annual Busan Film Festival received increasing attention and became a key international film event. More Korean films also debuted in the United States in recent years. The success of Korean films caught Hollywood's attention. Miramax bought the right to an Americanized remake of "My Wife is a Gangster." DreamWorks paid US$2 million for the right to remake "Janghwa, Hongnyeon" ("Tale of Two Sisters"). "The Lake House," a remake of "Il Mare", was released in the U.S. in 2006. In the summer of 2006, "*Gwoemul*" ("The Host") made a splash at the 2006 Cannes International Film Festival and broke the South Korean box-office record of "King and the Clown"; the two films were to compete for a best foreign language film nomination at the 2007 Academy Awards in the U.S. In the spring 2005 semester, Harvard University introduced a course on Korean cinema under its Visual and Environmental Studies program.

Korean TV dramas such as "Winter Sonata" and "Jewel in the Palace" were not only well received in Asia but also drew large audiences in the United States. In Hawaii, where TV stations began broadcasting Korean dramas more than 20 years ago, residents Nora Muramoto and Gerrie Nakamura founded the Hawaiian K-Drama Fan Club, and Korean TV dramas were used at the University of Hawaii to teach students about Korean culture. Sparked by their success on the island, Korean TV dramas were being introduced to wider areas on the U.S. mainland, including Los Angeles, San Francisco, Chicago, and New York. Korean dramas were available on DVD with English subtitles since 2003 and their distribution was growing steadily.

Korean pop music, though not as successful outside Asia as Korean films and TV series, was also quickly gaining momentum. Rain, the best-known Korean singer globally, held two solo concerts at Madison Square Garden in 2006 and was selected, along with Christina Aguilera and other hot pop stars, to appear in PepsiCo's global commercials during the 2006 World Cup. The Korean pop singer Se7en made his debut performance in the United States in 2006 as part of the "YG Family" ensemble. In October, YG Entertainment, a South Korean company, announced that it had signed a contract with Bellerst Enterprise for Se7en to enter the U.S. market. Mark Shimmel, Bellerst CEO and a well-known music producer himself, recommended Se7en to the 2004 Grammy Awards producer Rich Harrison, who produced singles and albums of such superstars as Beyonce, Janet Jackson, and Jennifer Lopez.

The Korean Wave had an impact beyond the immediate sales of South Korean cultural products abroad. Tourism to South Korea also increased significantly, from 2.8 million in 2003 to 3.7 million in 2004. Some tour packages to Korea featured visits to the shooting locations of popular Korean TV dramas. Tourists from all over Asia, especially Japan, swarmed to "fan get-together" tours to meet their favorite Korean pop stars.

Major U.S. newspapers reported that the Korean wave had fostered a positive image of Korean men among Asian fans. Some even believed that ordinary Korean men must be like Korean TV actors, possessing striking good looks and immaculate manners and displaying unconditional love for women. The Chicago Tribune carried an interview with a 26-year-old Japanese woman who flew to Korea no fewer than 10 times to look for her "Seoulmate."

Fans also copied the clothing of their Korean pop idols. Top Korean designers, including Andre Kim, held a series of fashion shows in China. Korean fashion brands such as Deco, Lancy, and Wolsey entered the Chinese market. Broadcasts of the TV drama "Jewel in the Palace" made Korean food all the more popular in China, and restaurants serving Korean food there were crowded during peak

hours. Other culturally derivative goods, such as cosmetics and home appliances, were also being well received in many Asian countries.

Not all *hallyu* developments, however, were positive in 2006. Signs that the Korean wave was receding were apparent in some Asian countries. The phenomenon was most evident in Japan, where tourists to Korea dropped to a two-year low in January 2006. Visitors from China's mainland, Taiwan, Hong Kong, and elsewhere in Asia also dropped significantly in 2006.

Some observers attributed the decline in tourism to the high prices of Korean tours and performances. A travel agency staffer said, "When the performance fees rise, the financial burden is passed on to tourists." Others noted that there was no successor product that had quite matched the amazing success of the TV drama "Winter Sonata." In Japan, historical disputes with Korea may also have played a role in the decline in interest in things Korean. For example, the comic book *Hyom-hallyu* ("Anti-Korean Wave") sold more than 300,000 copies in Japan.

In some Asian countries, the very success of the *hallyu* produced a backlash, with authorities moving to protect and support local film and television industries. For example, China's State Administration of Radio, Film, and Television announced that it would cut the quota of Korean TV dramas by half in 2006. China's state-run CCTV and some provincial TV stations also decided to replace Korean dramas with TV series from Hong Kong, Taiwan, and the U.S.

III. THE WORLD'S MOST WIRED NATION

According to Point Topic, South Korea led the world in terms of household broadband penetration in 2005-2006, ahead of the United States and Japan. An Internet connection at eight megabits per second was only about average speed in a South Korean apartment, but several times faster than the typical broadband speed in an American household. Ninety percent of the country had broadband Internet access of three megabits per second at home and similarly fast wireless connections were available on the road. There were 20,000 PC *bang* (literally, "PC rooms") in Korea where the public had access to the latest computers and high-speed Internet access for only about one dollar per hour.

A survey in 2003 showed that Koreans spent an average of 16 hours a week on the Internet, compared to ten and four hours for Americans and Europeans, respectively. Koreans engaged in a whole range of online activities, including watching TV programs and films and taking free classes and tutorials. Online

gaming was extremely popular, with nearly 3,000 Korean videogame companies reaping combined revenues of $4 billion. In addition, South Koreans spent more than $1.6 billion shopping online in the first quarter of 2004, about twice the per capita rate of such spending by Americans. Online share trading was also a favorite Korean activity, with 75% of all trades conducted over the Internet. A quarter of the population also used online banking services.

The South Korean government deserved much of the credit for these impressive achievements. In 1995, when less than one percent of South Koreans had access to the Internet, the South Korean government made a visionary decision to invest $1.5 billion in a nationwide broadband network for the sake of economic expansion and social progress. The policy laid out a clear "roadmap" with specific targets for each phase and offered loans at very low interest rates for those constructing the system. Separately, the government built a national high-speed backbone network linking government facilities and public institutions. David Young, director of technology policy for Verizon Communications said, "Had it not been for the government leadership, they [the Koreans] would not be where they are today."

The government's policy created real competition in the broadband field, which helped bring prices down and speed up. According to the Ministry of Information and Communication, the market for information technology servers and network equipment expanded enormously. Start-ups mushroomed and the revenues of online content providers exploded. For example, SK Telecom's Cyworld social networking/blogging site penetrated all segments of society; an astonishing 90% of South Koreans in their 20s used the service. Founding a popular Cyworld club or chat room was considered the way to become known and get ahead in 20-something Korean society.

With its success in broadband development attracting worldwide attention, Korea was exporting its expertise. Several Korean companies marketed consultative services and equipment to Russia and Southeast Asia. Intel created a new laboratory dedicated to the digital home in Seoul, studying how Koreans used the Internet in their lives and how the technology could be developed for use in other countries.

Yet Korea was not resting on its laurels. In 2006 the Electronics and Telecommunications Research Institute (ETRI) announced its success in developing fiber-to-the-home (FTTH) solutions that could enable one gigabit per second (Gbps) of data transmission. The increased speed, 100 times faster than the current average Internet speed, would allow Internet users to download a high-definition film file in seconds. In September 2006, at the Fourth Generation Forum on Jeju Island, host Samsung Electronics demonstrated the latest wireless platform and projected that superfast Internet access would come to the average Korean household by 2010. The company also indicated its intention to launch a handset-sized 4G terminal in 2008.

IV. CITIZEN JOURNALISM

The media played a powerful role in South Korea, where literacy and access to newspapers, radio, and TV broadcasts were virtually universal. In recent years, the rapid expansion of Internet broadband gave birth to the new phenomenon of participatory journalism. Average citizens—students, housewives, laborers, and white-collar employees—all were contributors to what was called "citizen journalism." They wrote reviews, news reports, and commentaries for news websites and took pride in their contributions. Regarding this more democratic and diverse amateur reporting, Newsweek asked: "Is this the future of journalism?"

OhmyNews was the best known and most successful case of participatory journalism. Founded in 2000, it ranked among the top 15 websites in South Korea in 2006, averaging 15 million "hits" each day. The company had a professional staff of only 25, but 33,000 citizen-reporters contributed news reports on almost every conceivable subject. Founder Oh Yeon-ho asserted, "Every citizen is a reporter." He sought to ensure the reliability of the citizen-reporters' contributions by rigorous fact-checking conducted by in-house staffers.

Roh Moo-hyun gave his first exclusive interview in Korea after his election as president in December 2002 to OhmyNews founder Oh, since he wished to express his appreciation to OhmyNews' young readers for helping to elect him. When early exit polls showed that Roh was losing the election, his liberal-minded young supporters mobilized a last-minute campaign on the Internet to shore up support. In only several minutes, more than a million emails were sent to mobile phones and online accounts urging supporters to go and cast their ballots. This massive call indeed sent more young Koreans to the polling stations, and Roh ultimately won by a narrow margin of 2.3%. Statistics showed that seven out of ten voters in the 2002 presidential election ranged between 20 and 40 years of age and that about 90% of the demographic group were regular Internet users.

OhmyNews reports on the deaths of two South Korean schoolgirls accidentally struck by a U.S. Forces Korea military vehicle in 2002 prompted its readers to call for demonstrations. The ensuing nationwide massive candlelight demonstrations had a major impact on U.S.-Korean relations. OhmyNews also boasted a series of scoops, including how the Hyundai group secretly paid hundreds of millions of dollars to North Korea before the historic North-South Korean summit in 2000.

OhmyNews continued to develop steadily. Though it had not shaken the solid ground held by the "big three" conservative print dailies, it had significant potential for further expansion. Its full-time staffers increased to 53, including

38 reporters and editors. The number of paid citizen-reporters was also steadily increasing. OhmyNews broke even in terms of revenue in 2003 and began to generate a modest profit from 2004. The site was also recognized at the fifth World Forum on E-Democracy as a global player that was key to changing the world of Internet and politics. In late February 2006, OhmyNews announced that it and Japanese Internet services company Softbank Corp. would together launch a Japanese version of OhmyNews, with the Japanese partner investing $11 million for a 12% stake. With a growing rate of Internet connectivity worldwide, a stronger sense of democracy and freedom of speech, as well as the expansion of websites and blogs such as OhmyNews, citizen journalism appeared to enjoy bright prospects.

V. KOREAN CULTURAL AND PEOPLE-TO-PEOPLE EXCHANGES

The year 2006 witnessed continued steady growth of U.S.-Korean cultural and people-to-people exchanges. Contributions made by the Korean and Korean-American communities in the United States were further recognized, and both governments took new measures to promote stronger bonds of amity between the two peoples.

According to the Immigration and Customs Enforcement (ICE) under the U.S. Department of Homeland Security, South Korea, per capita, sent more of its students to U.S. colleges and universities than any other country. The United States ranked as the top destination for South Korean students seeking to learn and study the English language.

On November 7, 2006, amid the busy campaigns for the U.S. mid-term elections later that month, the Korean government sponsored a special luncheon in Washington aimed at promoting Korean foods and cuisine. The event, dubbed "A Taste of Korea," was attended by about 200 American and foreign guests and culinary connoisseurs at the National Press Club. The impressive attendance reflected the growing appreciation in the U.S. for Korean food as being delicious, healthy, and nutritious. Korean restaurants, ever growing in numbers in the U.S., were becoming increasingly popular among local Americans.

The annual KORUS Festival, aimed at bringing together Koreans and local communities, especially youth, in the Washington D.C. metropolitan area, was celebrated from October 7 to 9. Coinciding with Korean Thanksgiving Day, the event, held on one of the busiest intersections in the "Korea Town" of Annandale, Virginia, near Washington, attracted over 10,000 visitors. The festival presented

pop star performances and booths featuring Korean food, drinks, and cultural goods. KORUS House, the public relations arm of the Korean embassy and one of the festival organizers, distributed pamphlets and promotional materials on Korea, such as maps and the musical score of the Korean national anthem.

The Korean-American community in the United States received recognition in 2006 when the U.S. Congress designated January 13 as "Korean-American Day" in honor of the contributions of Korean-Americans to the United States. A two-day event was held in Virginia, just outside of Washington, to mark the first national Korean-American Day.

The first group of Korean immigrants to the U.S. arrived in Honolulu on January 13, 1903. In just over one century, many outstanding Korean-Americans established themselves in various sectors of American society. In 2006, Hines Ward, the half-Korean, half-American Pittsburgh Steelers wide receiver who won the Most Valuable Player title in Super Bowl XL on February 5, paid a triumphant return visit to his birthplace of Seoul, where he was received with enthusiasm by both President Roh and the general public. Earlier ashamed of his Korean origins, Ward expressed profound respect for the sacrifices made by his Korean mother in the face of daunting difficulties. His success as a football player, which was widely covered in the Korean media, became an inspiration for children of international marriages in Korea and prompted the Korean media to decry lingering prejudice against them.

VI. VISA WAIVER PROGRAM (VWP) FOR SOUTH KOREA

Further progress was made in 2006 toward allowing South Korean citizens to tour the U.S. without a visa. That followed a U.S.-Korea summit meeting in Gyeongju, South Korea, in November 2005, at which President Bush announced that Washington would work with Seoul to develop a Visa Waiver Program (VWP) roadmap to assist South Korea in meeting the requirements for membership in the program. (The VWP was inaugurated in 1986 to enable nationals of certain countries to travel without a visa to the United States for tourism or business for stays under 90 days.) A U.S.-Korea bilateral visa working group adopted such a roadmap on December 15, 2006.

As a strong U.S. ally and a dynamic economy, South Korea had reason to wish to become a VWP participant. VWP membership would bring enormous benefits to both countries in terms of increased trade flow, tourism, and people-to-people exchanges. Ranking as the world's eleventh-largest economy, South Korea was

the United States' seventh-largest trading partner and its fifth-largest market for agricultural products. According to the South Korean Ministry of Justice, during the 2005 calendar year, 841,274 Koreans visited the United States for tourism or business, making South Korea the seventh-largest foreign tourist market for the U.S.

Korean tourists were also among the most enthusiastic spenders while traveling in the United States. With every increment of 100,000 Korean visitors to the U.S. representing nearly $350 million in additional tourism revenues, Korea's inclusion in the Visa Waiver Program would contribute substantially to the U.S. tourist industry as well as improve U.S.-Korean relations overall. Ratification of the U.S.-Korea Free Trade Agreement signed in 2006 would further boost bilateral economic ties and the need for, and benefits of, Korea's participation in the VWP.

The consular section of the U.S. embassy in Seoul, the only U.S. visa-issuing facility in Korea, was one of the busiest in the world. About 2,000 visa applications were processed each workday, or over 400,000 per year. South Koreans' expenditure in time and money for U.S. visa applications was great. With over two million people of Korean origin living in the U.S., South Korean membership in the VWP would be a great convenience to Korean family and friends living in the U.S., as well as to South Korean visitors.

As of the end of 2006, Korea appeared to be near meeting all requirements for inclusion in the VWP. With full respect for the statutory requirements for VWP participation and a firm commitment to meeting all criteria, South Korea took the stickiest problem – the visa refusal rate – very seriously. Since the start of fiscal year 2006, South Korea had maintained a visa refusal rate very near the 3.0% ceiling rate for some months. However, the rate increased again in summer and hovered around 3.5% as of the end of September. At the December 2006 meeting of the bilateral visa working group, the U.S. side reportedly said that Washington was trying to ease the 3% rule to help countries such as Korea to join the VWP. A Korean official said that creation of the roadmap and the easing of the 3% rule would speed up South Korea's VWP entry.

In addition to the 3% refusal rate issue, the South Korean government was working closely with the U.S. Department of State and the Department for Homeland Security on the VWP-related issues of law enforcement, security cooperation, and lost and stolen passports. Biometric passports with digitized photographs, another VWP requirement, were gradually being introduced to the general public in Korea.

Besides the explicit support expressed by senior officials from both countries, the U.S. Congress and U.S. business community, represented by the American Chamber of Commerce in Korea (AmCham), were also vocal supporters of Korea's VWP membership. Thirty-five U.S. congressmen sent a letter to Secretary of State Condoleezza Rice in July 2006 calling for South Korea to be included in the VWP. AmCham Korea President Tami Overby expressed her organization's solid support for South Korean VWP entry in an exclusive interview with The Korea Times, saying that "the American business community here wants very much for Korea to be visa free." On April 3, 2006, the U.S.-Korea Visa Waiver Program Coalition, composed of American business organizations and Korean-American agencies, was established to promote South Korea's inclusion in the VWP. It set up the website www.welcome-korea.org with information and updates on South Korea's efforts to join the VWP and had a membership of 150 organizations as of the end of the year.

OVERVIEW: NORTH KOREAN NUCLEAR CRISIS

Viktoriya Kim

I. INTRODUCTION

Two thousand and six could truly be called the year of North Korea (officially, the Democratic People's Republic of Korea, or DPRK). Over many decades the country, known as a modern-day hermit kingdom, had occasionally made for ominous headlines in the international news media. Since the early 1990s, the world community was troubled especially by the nuclear ambitions of the 23-million "outlaw" nation, ruled by an anachronistic dictatorial regime. By the mid-1990s, with the death of its "Great Leader," Kim Il Sung, and suffering from massive famine, North Korea appeared to be teetering on the edge of economic collapse, even though it was in one of the world's most rapidly developing regions. In July 2006, North Korea defied the international community to test an advanced long-range ballistic missile. Only three months later, it conducted its first test of a nuclear weapon. Despite the ensuing UN Security Council sanctions, North Korea did not seem inclined as of the end of 2006 to yield to international pressures and change course.

II. BACKGROUND TO THE NUCLEAR ISSUE

Making sense of North Korea's actions in 2006 and its relationship with the international community, especially the U.S., required an understanding of the history of the nuclear issue. On hostile footing with the United States and its South Korean ally ever since 1950 and unable to counter the United States' "nuclear umbrella" for the South, the DPRK appeared to have had nuclear weapons ambitions since early in its history. The United States became

particularly concerned about the North Korean nuclear program in the early 1990s, when International Atomic Energy Agency (IAEA) tests indicated that North Korea had surreptitiously produced nuclear weapons material at its Soviet-provided, ostensibly civilian nuclear facilities in Yongbyon.

After long and difficult negotiations, the U.S. and the DPRK concluded a bilateral "Agreed Framework" in 1994. It stipulated that the DPRK would shut down its pilot reactor and other nuclear facilities in Yongbyon. In exchange, the U.S., eventually supported by South Korea, Japan, and the EU, would construct two light water reactors (LWRs) in North Korea for power generation. The LWRs would be built instead of two graphite-moderated nuclear power plants that North Korea had been constructing; experts said that LWR technology was less susceptible to nuclear proliferation than graphite-moderated reactors.

At the same time, the U.S. and the DPRK agreed to begin to move to fully normalize their political and economic relations. The U.S. also said it would provide formal assurances to North Korea not to threaten it with the use of nuclear weapons; the DPRK pledged to remain a member of the Nuclear Non-Proliferation Treaty and implement the North-South Korean Denuclearization Declaration of 1992. Full compliance with the provisions of the DPRK's safeguards agreement with the IAEA was also foreseen.

The energy-related aspects of the agreement were implemented by a new international consortium, the Korean Peninsula Energy Development Organization (KEDO), consisting initially of the United States, South Korea, and Japan, and joined later by the EU and a number of other states. South Korea and Japan agreed to pay for over 90% of the LWR construction costs, while the U.S. took the lead in providing North Korea with heavy fuel oil until the first LWR was constructed.

Some observers believed that, with Kim Il Sung's death a few months earlier, the U.S. had signed the Agreed Framework anticipating that the North Korean regime would collapse before the LWR construction could be completed. (U.S. negotiators disputed this assertion.) For its part, North Korea apparently pinned great hopes on an early lifting of U.S. economic sanctions against it. But the November 1994 election of a Republican majority in Congress opposed to the Agreed Framework led the Clinton administration to lift only a few sanctions against the DPRK. North Korea became increasingly skeptical of U.S. intentions as actual construction on the LWR project did not get underway until 2000.

After a period of promise in the year 2000, when President Clinton seriously considered visiting the North Korean capital of Pyongyang for a meeting with

Kim Il Sung's son and successor, "Dear Leader" Kim Jong Il, U.S.-DPRK relations deteriorated badly. Newly elected U.S. President George W. Bush made clear in 2001 his abhorrence and skepticism of Kim Jong Il and his regime, and, after the terrorist attacks of September 11, 2001, he included North Korea among the "axis of evil" states in his State of the Union address to Congress in January 2002. Such states, he said, sponsored terror and threatened America and its friends and allies with weapons of mass destruction.

Later in 2002, the U.S. said it discovered that the DPRK had stepped up a secret program to enrich uranium. Like the DPRK's existing, plutonium-based technology at Yongbyon, enriched uranium could be used to build nuclear weapons as well as power civilian reactors. Charging the U.S. with failing to fulfill the provisions of the Agreed Framework, the DPRK expelled IAEA inspectors from Yongbyon and, in early 2003, became the first state ever to withdraw from the Nuclear Non-Proliferation Treaty.

In response to the ensuing crisis, the United States called for the establishment of a multilateral forum of North Korea's neighbors to press it to abandon its nuclear ambitions. China, concerned above all with maintaining stability in its border region with the DPRK, persuaded the DPRK to agree to the U.S. proposal. Thus, Six-Party Talks began in Beijing in August 2003; the other participants were South Korea, Russia, and Japan.

While all of the parties said they agreed in principle on the desirability of a Korean Peninsula without nuclear weapons, the Six-Party Talks made no progress; indeed, the situation worsened. In February 2005, the DPRK announced it had manufactured nuclear weapons. Only in September 2005 did the parties finally agree even on a written statement of general principles to be taken into account in any resolution of the nuclear problem. Immediately thereafter, the DPRK boycotted the talks in response to *de facto* U.S. financial sanctions against it in connection with charges that the DPRK had used a Macanese bank, Banco Delta Asia (BDA), to launder DPRK monies obtained from illicit activities such as counterfeiting and smuggling. The DPRK apparently proceeded to intensify the pace of its nuclear weapons development.

III. DEVELOPMENTS IN 2006

In 2006 North Korea remained firm that it would not participate in the Six-Party Talks unless the U.S. took steps to ensure the release from BDA of its frozen financial assets. The U.S. insisted that the nuclear and financial issues

were separate matters and that North Korea should return to the Six-Party Talks immediately.

The DPRK's response was a series of seven missile tests conducted July 4-5, including one of a long-range Taepodong-2 missile potentially capable of reaching Alaska. Publicly acknowledging the tests on July 6, the DPRK foreign ministry described them as a successful part of "regular military drills to strengthen self-defense," and it warned of "stronger physical actions" if pressed by the international community. The international community was indeed deeply concerned, since North Korea could eventually use its long-range missiles to deliver nuclear weapons. North Korea was believed to have a significant arsenal of chemical weapons, which could also be delivered by missiles. Moreover, North Korean was a known proliferator of missiles and missile technology to the troubled Middle East region.

On July 15, the UN Security Council unanimously voted to impose sanctions on the DPRK over the missile tests. Resolution 1695 condemned the tests and required UN member-states to "prevent the procurement of missiles or missile related-items, materials, goods and technology from the DPRK, and the transfer of any financial resources in relation to DPRK's missile or WMD programmes." It called on the DPRK to return to the Six-Party Talks. Some UN member-states also responded by implementing unilateral sanctions against the DPRK, such as South Korea's decision to suspend shipments of food aid.

During the period July 10-20, heavy rains in central and southern North Korea caused flooding, killing at least hundreds of people and resulting in serious property damage throughout much of the country. Approximately 60,000 people were left homeless, over 7,000 homes were destroyed or damaged, and up to 30,000 hectares of growing rice was destroyed.

On October 3, in a carefully worded statement, the North Korean foreign ministry announced that the DPRK would test its first nuclear weapon. It said it had been forced to boost its nuclear deterrent in the face of American hostility and threats. North Korea pledged, however, that it would never be a nuclear proliferator and it said it remained committed in principle to the denuclearization of the Korean Peninsula. The White House responded the same day with a statement against a test, and three days later the UN Secretary Council, in a unanimous vote, warned North Korea that a nuclear weapon test would bring "universal condemnation." Nevertheless, on October 9, North Korea announced that it had "successfully conducted an underground nuclear test." On October 11, the U.S. government verified that the test had been of a nuclear device, and it confirmed it publicly on October 16.

The international community's response was swift. On October 14, the UN Security Council passed Resolution 1718, unanimously condemning North Korea for its nuclear test "in flagrant disregard of [the UN Security Council's] relevant resolutions." It called on UN member-states not to assist the DPRK's nuclear and missile programs, not to export major conventional military armaments to the DPRK, and not to export luxury consumer items to the country. The resolution also gave the right to other nations to inspect any North Korean vessel's cargo, although the PRC expressed reservations about the provision, saying it wished to avoid any military confrontation with North Korea. Both the PRC and the Russian Federation pointed out that the resolution in no way authorized the use of military force against North Korea.

On October 31, after another round of shuttle diplomacy between Beijing and Pyongyang, the Chinese government announced the resumption of Six-Party Talks. The PRC said that North Korea had set no preconditions for its return to the talks. Analysts were divided about North Korea's motivations. Some asserted that the nuclear test represented a desperate attempt by the DPRK to secure room for a successful agreement with the U.S. at the Six-Party Talks. Many others believed that, after the nuclear test, the DPRK was even less likely to negotiate away its nuclear weapons program and that it was likely returning to the talks primarily to deflect Chinese and other international pressure against it.

On November 3, North Korea confirmed that it would return to the six-nation nuclear disarmament talks. It indicated that its decision was based on the premise that the U.S. would remove financial sanctions against it. World leaders welcomed the DPRK's decision to rejoin the talks, but no progress was made when the last round of talks of 2006 was finally held in Beijing beginning December 18.

IV. PROSPECTS

As of the end of December 2007, most observers were skeptical about the prospects for progress in the Six-Party Talks. The differences between the U.S. and the DPRK remained stark. North Korea had taken a very strong position in the talks before its nuclear weapon test, and most experts expected it to take an even tougher position thereafter. The immediate sticking point was the DPRK's insistence that the U.S. first ensure the return of the DPRK's frozen funds in BDA, but the U.S. continued to argue that the BDA issue had nothing to do with the nuclear talks.

On the other hand, experts pointed out that it was noteworthy—and ironic—that the U.S. government had agreed to continue with the Six-Party Talks even after the North Korean nuclear weapon test. They also pointed to the departure from the Bush administration of leading figures opposed to negotiations with the DPRK and the continuing efforts of Secretary of State Rice for the U.S. to show more flexibility in the Six-Party Talks. Moreover, President Bush and his foreign policy team were preoccupied with events in Iraq, and the Democratic Party had gained control of both houses of Congress in the November election, further limiting the president's options regarding North Korea.

As a result of the DPRK nuclear test and U.S. preoccupation with Iraq, U.S. talk of a military "option" against North Korean nuclear facilities had faded. Further complicating the situation were the South Korean presidential election scheduled for December 2007 and increasing tensions between North Korea and Japan over the unresolved issue of North Korea's abduction of Japanese citizens nearly a generation ago. It appeared likely that the Six-Party Talks would continue, but with very uncertain prospects.

SIX-PARTY TALKS: "THE OTHER FOUR"

Seoung M. Kang

I. THE ROLE OF "THE OTHER FOUR" PARTIES

Experts in 2006 were divided about the efficacy of the Six-Party Talks to resolve the North Korean nuclear problem. Some dismissed the Six-Party Talks as unnecessary and even counterproductive. They argued that Pyongyang had repeatedly expressed its willingness to negotiate its nuclear weapons program away in exchange for regime security and that only the U.S. could offer such an assurance. Adding more participants to the talks, they said, only complicated matters and impeded progress, since each country sought to maximize its interests while minimizing its costs.

Others argued that the Six-Party Talks were the key to dealing with North Korea. Of course, none of the six parties wished to be excluded from the talks—Japan and Russia remembered their exclusion from the Four-Party Talks of the late 1990s—but otherwise their reasons for supporting the talks differed significantly:

1. North Korea preferred that there be no multilateral talks at all on its nuclear program—its position was that the nuclear issue was a bilateral matter between it and the U.S.—but it did not want the other five to meet together without it.

2. The U.S. originally rejected all bilateral talks with the DPRK for ideological reasons—the Bush administration said it did not "negotiate" with evil—but later found that its only practical means of dealing with North Korea was diplomacy. Thus, it opted for multilateral diplomacy.

3. China wanted to prevent any unilateral U.S. action against North Korea, which might destabilize the Korean Peninsula and China's border area with it. Also, in general, if any more countries than the DPRK, U.S., and the ROK were to be involved in Korean Peninsula talks, it wanted to be included.

4. Prime Minister Koizumi wanted to show Japanese voters that he was using the Six-Party Talks to press North Korea to resolve the issue of North Korea's abductions of Japanese citizens in the 1970s, a major domestic political concern. Koizumi also wanted to enhance U.S.-Japanese security cooperation by working together on North Korea.

5. President Putin saw the Six-Party Talks as another opportunity to play in a complex strategic game among the U.S., China, and Japan, and possibly as a means of commercial gain.

6. South Korea believed that bilateral U.S.-North Korean talks were the critical element in resolving the nuclear issue and its underlying cause but felt that the other parties must press the U.S. and the DPRK to compromise with each other. On broader Korean Peninsula issues, South Korea believed that it and North Korea should be the primary if not exclusive interlocutors.

Finally, some argued that, while resolution of the nuclear issue would depend mostly on the U.S. and North Korea, the other parties had useful roles to play. As the South Korean government believed, the other four could put pressure on both the U.S. and the DPRK to compromise. Together, the four parties could also guarantee any agreements that were reached primarily between the U.S. and the DPRK. South Korea and Japan in particular were willing in principle to give North Korea massive material incentives as part of a resolution of the nuclear and related issues. China and Russia could assure North Korea that they would use their UN Security Council membership to prevent the U.S. from mobilizing the international community against it.

To judge the potential usefulness of the Six-Party Talks, this chapter examines the interests and perspective of the "other four" participants in the Six-Party Talks: China, Japan, Russia, and the ROK.

II. THE OTHER FOUR

1. CHINA

China was certainly one of the biggest variables in the ultimate success or failure of the Six-Party talks. As a fellow communist country and North Korea's most important ally, the PRC had provided most of the DPRK's external economic and political support in recent decades, including food and oil. China's motivations in the Six-Party Talks were complex.

China wanted a stable, peaceful neighborhood, at least during its current process of modernization; it saw stability in the Northeast Asian region as vital for its economic growth and thus domestic political stability. China feared that Pyongyang's nuclear ambitions, if unchecked, might eventually lead to a major military crisis on the Korean Peninsula involving the U.S. The PRC was also concerned that tensions over North Korea might encourage closer strategic and military cooperation between the U.S. and Japan, including the development of theater missile defenses (TMD). (The U.S. and Japan did indeed accelerate and intensify TMD cooperation in 2006 in response to Pyongyang's long-range missile tests.) Indirectly, China used its assistance to the U.S. in dealing with Pyongyang as a strategic card against the Washington-Tokyo alliance and Washington's support for Taiwan.

Fundamentally, China preferred that the North Korean regime be sustained and that there be a balance between the North and the South. The PRC naturally feared that the collapse of North Korea might result in an extension of superior American power in the region; it was also concerned about the risk that North Korean refugees might flee *en masse* into China in case of instability in North Korea. On the other hand, China did not wish to help North Korea to the extent of sacrificing its own international credibility.

From China's point of view, a breakthrough in South-North Korean relations must be consistent with its own interests. China believed that an improved relationship between the two Koreas could help not only to prevent the collapse of the North Korean regime but also to obviate its supplying massive humanitarian assistance to the North Korean people. China perceived that the end of the North Korean threat might result in South Koreans concluding that U.S. forces were no longer needed on the Korean Peninsula.

From an economic point of view, Beijing sought increased trade with South Korea to facilitate its economic development and to benefit from major

technological transfers, which were critical to China's long-term prosperity. China was unlikely to tolerate reckless behavior on the part of Pyongyang that might jeopardize its fruitful partnership with Seoul. China was concerned about any increase in tensions on the Korean Peninsula that might hurt South Korea's economic health, which was important to China's own economic stability.

During the past decade, the PRC's political influence within the region grew apace with its economic development. In the short-to medium-term, China would benefit the most, in diplomatic terms, from a radically improved relationship between the two Koreas. The PRC's intensive efforts in the Six-Party Talks stemed in part from its belief that a resolution of the North Korean nuclear issue would enhance its own status in the region.

The PRC thus played the role not only of host of the Six-Party Talks but also of mediator between North Korea and the U.S. Its efforts were key to persuading North Korea to agree to the convening of Six-Party Talks in August 2003. Thereafter, too, the PRC intervened whenever the talks stalled. Beijing's efforts frequently included the dispatch of senior officials to Pyongyang to press top DPRK leaders to have their negotiators resume participation in the talks.

2. JAPAN

Japan's relationship with North Korea was very difficult. Its former status as colonial ruler of the entire Korean Peninsula had left a legacy of hostility toward Japan on the part of both North and South Korea. Neither had wanted Japan to be part of the Six-Party Talks but they had yielded to American pressure to include Japan.

The lack of diplomatic relations between Japan and North Korea was a major agenda item in the Six-Party Talks. Japan, however, insisted that it would not agree to normalization or provide North Korea with benefits in the Six-Party Talks process until the issue of its citizens abducted by North Korea was resolved. North Korea's position, on the other hand, was that the abduction issue was already resolved. It repeatedly protested the Japan's negotiators' references to the abduction issue during plenary sessions of the Six-Party Talks. Along with increased Japanese sanctions against North Korea during 2006, the Japanese position on the abductee issue resulted in numerous North Korean statements that Japan was not qualified even to be a member of the Six-Party Talks.

In response to North Korea's position, South Korea and the U.S. became increasingly concerned that Japan's position was complicating the Six-Party Talks. While remaining discreet publicly, South Korean officials complained anonymously to the media about Japan's position on the abductee issue. The

U.S. initially was fully supportive of Japan's position on abductees at the Six-Party Talks and even declared that it would not remove North Korea from its list of state sponsors of terrorism until the abductee issue was resolved. (Certain U.S. sanctions against North Korea could be lifted only when North Korea was removed from the list.) In 2006, however, some U.S. officials made public statements that suggested the U.S. might be willing to remove North Korea from the list even if the abductee issue was not resolved.

U.S. officials were not simply concerned that the Japanese position was endangering the prospects of immediate progress in the Six-Party Talks. The U.S. believed that any resolution of the North Korean nuclear problem would require that the other parties compensate the DPRK for giving up its nuclear programs. Just as Japan had provided South Korea with *de facto* compensation for its past colonial rule when they normalized relations in 1965, Japan was expected to provide North Korea with a major assistance package on normalization of their relations. That was believed to be one of the key incentives for North Korea to resolve the nuclear issue.

While Japan's short-term aim was resolution of the abductee issue, in the long-term it wanted to ensure lasting peace on the Korean Peninsula. It feared that conflict there would involve direct or indirect military action. Japan was also apprehensive that an expansion of Chinese influence on both Koreas would reduce Japan's regional status. Tokyo recognized with growing concern that Beijing's broader regional aspirations might not be compatible with its own vision for the region. More importantly, Japan correctly concluded that the two powers might eventually become peer competitors in both the economic and security realms. Japan thus felt the need to be actively involved in international debate and negotiation about North Korea.

3. RUSSIA

Sharing a border with North Korea, Russia had a strategic interest in the Korean Peninsula since the 19th century. The Russo-Japanese War of 1904-1905 was fought primarily over Korea. After WWII, the USSR established the DPRK and installed as its leader Kim Il Sung, who had served as an officer in the Soviet military. With the fall of the Soviet Union, the Russian Federation was initially preoccupied with domestic matters. In recent years, however, under the leadership of Vladimir Putin and enjoying an economic boom thanks to its role as a leading oil producer, Russia again became actively interested in the Korean Peninsula. President Putin began courting North Korea shortly after his election as president. No longer limited by the Cold War, Russia was able to engage in peaceful dialogue with all the countries of Northeast Asia.

Russia wanted to be involved in North Korean nuclear talks from virtually the outset of the problem in the early 1990s. As noted above, like Japan, it resented its exclusion from the Four-Party Talks held from November 1997 to August 1999. In response, it proposed a six-party format that would include itself and Japan. Russia believed that Six-Party Talks should deal not only with the North Korean nuclear issue *per se* but also with its broader context and issues facing the Northeast Asian region as a whole. Through the talks, Russia aimed to increase its political influence on the peninsula and the entire region.

Putin's predecessor as president, Boris Yeltsin, was less "balanced" regarding North and South Korea than Putin proved to be. Yeltsin believed that South Korea and Russia needed to cooperate to dissuade Pyongyang from developing weapons of mass destruction, including long-range missiles and nuclear weapons. Moreover, Yeltsin positively appraised the South Korean government's efforts to reduce tensions between the two Koreas and to enhance stability on the Korean Peninsula.

Russia under Putin was increasingly fixated on a strategic competition with the United States, and the Korean Peninsula became yet another theater in that calculus. Russia hoped that it would be paid by the other parties in the Six-Party Talks for benefits to be provided to North Korea as part of a resolution of the nuclear issue. Most notably, Russia hoped that if North Korea were provided nuclear power reactors, the contract would be for Russian reactors. Russia was also actively promoting the use of North Korean territory to transship Russian natural gas to South Korea via the Trans-Siberian Railroad (TSR).

Russia also had limited but significant and growing economic ties with the ROK. Since they established diplomatic ties in 1990, Seoul and Moscow cooperated most closely in the economic sector. In September 1995, for example, Prime Minister Chernomyrdin visited South Korea to sign a bilateral agreement to increase trade and economic, scientific and technological cooperation. Their bilateral relations continued to develop dynamically.

While seeking closer ties with the DPRK, Russia's position in the Six-Party Talks was close to that of South Korea. For example, Russia reportedly rejected a request from Japan to support its raising the abductee issue in the Six-Party Talks. Russian officials also backed South Korea's energy proposal during the February 2004 round of Six-Party Talks. South Korea reciprocated by, among other things, backing Moscow's bid to become a member of the World Trade Organization (WTO) and the Asia-Europe Meeting (ASEM).

4. SOUTH KOREA

South Korea shared with the U.S. the goal of the denuclearization of the Korean Peninsula, but its approach to the problem differed fundamentally. With the end of the Cold War and North Korea's famine in the mid-1990s, South Korean attitudes toward North Korea began to change. The example of German unification made the collapse of the North Korean regime seem possible, and it inspired fear that the financial and political burden on South Korea might be too great to bear. The decisive moment, according to author and former journalist Don Oberdorfer, was June 13, 2000, when then-South Korean President Kim Dae-jung was greeted on his arrival in Pyongyang by North Korean leader Kim Jong Il. The unprecedented North-South Korean summit brought an immediate and dramatic change in official and popular views in South Korea. Suddenly, North Korea was no longer seen as a threat by many South Koreans, and especially the younger generation. South Koreans became more concerned about the weakness of North Korea than its strength.

While the U.S. regarded the prospect of North Korea with nuclear weapons as a severe threat to its own national security as well as to its South Korea ally, many South Koreans assumed that North Korea would never launch a nuclear weapon against them. From the time of the administration of President Kim Dae-jung, South Korean policy was to use economic engagement of the North to reduce tensions and induce North Korean reforms. The aim was to prevent the collapse of North Korea while facilitating its economic growth and political reform, in the hope that "convergence" would result in reconciliation and eventually unification under mutually agreeable conditions. Thus, the ROK government and the U.S. administration of President George W. Bush were unable to cooperate extensively and effectively to deal with the challenges posed by North Korea. In 2005 and 2006, however, ROK-U.S. cooperation in the Six-Party Talks improved somewhat as the U.S. began to take a more flexible position.

Moreover, the diverging threat perception between South Korea and the U.S. regarding North Korea clouded their security alliance. The shared belief that North Korea posed a severe military threat to the South had been the binding force of the ROK-U.S. alliance and the primary reason for the continued stationing of American forces in South Korea. While South Koreans had a generally positive attitude toward the U.S., their feelings were complex, including elements of anti-American sentiment. The majority of the South Korean public still valued the U.S. military role on the Korean Peninsula, but the younger generation was less tolerant of the inconveniences and implied loss of sovereignty that came with a foreign military presence. Under such circumstances, an intensified hard-line U.S. approach against North Korea risked undermining the ROK-U.S. alliance.

III. ADVANTAGES OF THE SIX-PARTY TALKS

Due to a long history of foreign intervention, invasion, division, occupation, and domination of the Korean Peninsula, South Koreans were reluctant to see foreign involvement in North-South Korean affairs. Thus it was with mixed feelings, including even humiliation, that South Koreans observed the Six-Party Talks. Some South Koreans were also concerned that some or all of the parties had ulterior motives that were not necessarily consistent with South Korean interests or with the interests of the Korean nation as a whole.

HUMAN RIGHTS IN THE DPRK: ONGOING ABUSES, CONFLICTING INTERNATIONAL POLICIES

Kaitlin Bonenberger

I. INTRODUCTION

During the year 2006 the plight of the North Korean people remained extremely serious. They continued to suffer human rights abuses at the hands of their government; they were unable to obtain adequate food supplies at home; and many were at great risk abroad as refugees. Developments included the first-ever entry into the United States in May of six North Korean refugees under the North Korean Human Rights Act of 2004; flooding in July that killed up to 10,000 North Koreans and displaced another 1.5 million; South Korean support for the UN General Assembly's resolution on North Korean human rights in November; and performances in the ROK and abroad of "Yoduk Story," a South Korean musical highlighting human rights abuses in the DPRK, and "Abduction: The Megumi Yokota Story," a documentary film detailing the abduction of Japanese nationals by North Korean agents in the late 1970s.

Despite the severity of the human rights and humanitarian problems facing the North Korean people, the focus of the international community remained on North Korea's nuclear weapons program, especially after the DPRK conducted its first-ever nuclear weapons test in October. Moreover, the United States and North Korea's neighbors continued to pursue divergent policies toward DPRK human rights and humanitarian issues. Thus, no substantial or consistent improvement in the situation of the North Korean people was achieved.

II. OVERVIEW OF NORTH KOREAN HUMAN RIGHTS ABUSES

Since its establishment soon after WWII, the North Korean government relied on the oppression of North Korean citizens to maintain authority. In 2006 it continued to be headed by Kim Jong Il, the son of the DPRK's only other ruler, Kim Il Sung. Internal opposition to the regime was not tolerated. The government divided its citizens into so-called core, wavering, and hostile classes, depending on their social status and loyalty to the regime. About a quarter of the population reportedly was assigned to the hostile class, and their freedom of movement and access to food and education was even more restricted than those of other North Koreans. Political dissidents and their families faced harsh punishments that included imprisonment in one of the country's labor camps and even execution.

Devastating floods in the early and mid-1990s worsened an already serious food shortage in North Korea. During the ensuing famine perhaps as many as 2 million people died of starvation. Over the years, many tens or even hundreds of thousands of North Koreans entered China in search of food and jobs, in spite of the illegality under the North Korean constitution of leaving the country without permission and the threat of severe punishment. According to Human Rights Watch, the North Korean government was relatively lenient with border-crossers from the time of the famine until about 2004. Officials released most people after questioning and imprisoned only those who had come into contact with missionaries or South Koreans. Thereafter, the authorities warned that border-crossers would face imprisonment of up to five years at one of the nation's labor camps. According to Freedom House, over 200,000 border-crossers and other political offenders were being held in at least six camps within the DPRK in 2006.

III. INTERNATIONAL POLICIES

International bodies such as the UN and Amnesty International and other influential NGOs attempted to address these North Korean human rights and humanitarian concerns, but the divergent national interests and policies of the potentially most influential countries—South Korea, Japan, China, and the United States—proved to be a barrier to effective international influence on the North Korean regime.

1. SOUTH KOREA

South Korean policy toward North Korea during the past decade focused on reconciliation and the reduction of tensions on the Korean Peninsula. South

Korea wished to avoid a collapse of the North Korean regime, which it feared might result in financial and political challenges beyond the South's capacity to manage. The current South Korean approach, initiated in 1998 by then-President Kim Dae-jung as the "Sunshine Policy," sought to promote economic and political reform in the North by reassuring the regime that it was not under external threat and by providing it with humanitarian aid and economic assistance.

Because the DPRK tended to view any acknowledgement of human rights problems as a threat to its regime, addressing such issues was a challenge for the South. Nevertheless, for the first time ever, the South Korean government in November voted for a UN General Assembly resolution criticizing the human rights situation in North Korea. Observers speculated that the decision may have been influenced by North Korea's test of a nuclear weapon and the election of the South Korean foreign minister, Ban Ki-moon, as United Nations Secretary General, both of which occurred in the preceding month.

As part of its engagement policy, South Korea provided most of its food aid directly to the North Korean regime rather than through international organizations such as the World Food Program (WFP), which monitor food aid distribution to ensure it reaches the neediest. Some NGOs working along the China-North Korea border charged, based in part on interviews with North Korean defectors, that South Korean food aid was often diverted to the military or sold at markets.

South Korea was a consistent food donor to the DPRK since the year 2000, giving 400,000 to 500,000 metric tons (MT) of bilateral food aid to the North annually (except in 2001, when bilateral aid was zero), and donating 100,000 MT of food aid annually (since 2001) through WFP channels. In July 2006, however, South Korea suspended food aid after the North conducted a number of missile tests, including of the long-range Taepodong-2. As of the end of 2006, South Korean food aid to the North had not resumed.

Similarly, in addressing the plight of North Korean refugees, the South Korean government sought to avoid antagonizing the DPRK. Under Article 3 of the ROK Constitution, which states that the "territory of the Republic of Korea shall consist of the whole Korean peninsula and its adjacent islands," the ROK government *de facto* regarded North Koreans in the South as its citizens. From the end of the Korean War through December 2006, about 10,000 North Koreans had resettled in the South.

Some policy shifts were apparent in South Korea's management of refugees. In the early 1990s, when the famine had yet to take hold and fewer North Koreans sought refugee status, the South Korean government was very supportive of those wanting to come to the South, offering them major financial and moral

support. Initially, many refugees were high-ranking officials who defected while working abroad. In more recent years, however, with the increased outflow from the North due in part to increased food shortages, most refugees were ordinary people. They faced numerous challenges in adjusting to the much more complex and competitive way of life in the South. In 2006 the South Korean government was providing each refugee with a $23,000 lump-sum stipend, subsidized low-cost housing, and cash incentives for job training. While still substantial, it was a significant reduction from what the government provided a decade ago.

The year 2006 saw the opening, first in South Korea and subsequently in the U.S. and Europe, of the acclaimed South Korean musical "Yoduk Story." Directed and choreographed by two North Korean defectors once imprisoned in labor camps, "Yoduk Story" detailed abuses occurring within the camps and throughout North Korea. The success of the musical in the ROK and around the world brought increased attention to the plight of the North Korean people.

2. JAPAN

With the end of the Cold War, Japan and North Korea began sporadic efforts to normalize relations. Japan also joined other nations, including the U.S. and South Korea, in supplying the North with food aid during the famine of the 1990s. Japan pledged $6 million through the World Food Program in 1996 and $20 million in 1997. In August 1998, however, North Korea test-fired a Taepodong-1 ballistic missile over northern Japan, prompting Tokyo to cut off further aid to the North.

A first-ever summit between the two nations was held in Pyongyang in September 2002, but Kim Jong Il's admission to Prime Minister Koizumi that North Korean agents had abducted thirteen Japanese citizens in the 1970s—a statement intended to resolve the issue—succeeded only in angering the Japanese public. A follow-up summit in May 2004 left the Japanese even more skeptical about North Korean intentions. As part of the arrangements for the 2004 summit, Japan provided the North with 125,000 tons of food and $7 million worth of medical supplies later that year. In December 2004, in an attempt to press North Korea to be more forthcoming on the abductee issue, Japan again cut off food aid to the North. As of the end of 2006, Japan had provided no further food aid to the DPRK.

In regard to North Korean refugees, Japanese policy was slow to develop. Japan supported UN efforts to help North Korean refugees, but it was not until June 2006 that the Japanese Diet passed the North Korean Human Rights Law (similar to the U.S. North Korean Human Rights Act of 2004), requiring the Japanese government to implement measures to protect and support North Korean refugees. Few North Koreans sought refugee status in Japan due to the language barrier and historical animosity toward Japan. However, Japan did provide refugee status

to Japan-born North Koreans who had fled the North, and the number of those seeking refugee status in Japan increased in recent years. As of the end of 2006, a total of more than 100 North Korean defectors had resettled in Japan.

3. CHINA

Like South Korea, China was concerned about the risks of a collapse of the North Korean regime, including a massive outflow of refugees into China. China sought to ensure stability on its borders to allow it to continue its rapid economic development. It also regarded the North Korean regime as a buffer against the United States, with which the ROK was allied. Although China did not favor North Korea's possession of nuclear weapons, it appeared even more concerned about possible instability on the Korean Peninsula. The PRC's approach toward the North Korean human rights situation, including refugees, and humanitarian issues was deeply influenced by these overarching concerns.

Thus, China sent food aid to North Korea bilaterally, not through WFP, and it was not transparent regarding such aid. In response to a question about food aid, a PRC Ministry of Commerce official in 2006 stated, "I can't tell you. It's a state secret." Other sources, however, said that China provided over 500,000 MT of food aid in 2005 and increased shipments following the floods in July 2006. U.S. Council on Foreign Relations expert Esther Pan stated that "North Korea gets about 70% of its food and 70-80% of its fuel from China." After the North Korean missile and nuclear tests of 2006, rumors circulated that China had cut off food and fuel aid, but these reports remained unconfirmed.

China continued to abide by a secret agreement signed by its Ministry of Public Security and the North Korean Ministry of State Security in 1986 requiring both countries to cooperate against "illegal" border crossing. It was not until an increase in North Korean refugees due to the famine in the 1990s, however, that China began aggressively repatriating North Koreans. With exact numbers impossible to determine, estimates of North Korean refugees in China during those years ranged from 30,000 to 300,000. The numbers are believed to have dropped significantly in the past few years as the food shortage in North Korea eased. China asserted that its commitment to the 1951 UN Convention on the Status of Refugees and the 1967 Protocol, which forbade states to return refugees, did not apply to North Koreans in China. The PRC said they were "economic migrants" rather than refugees.

Thus unable to seek PRC government assistance, North Korean refugees in China were at risk of repatriation by PRC authorities and of exploitation by others in China. Many North Korean women, for example, were forced into unwanted marriages or otherwise trafficked in the PRC. There were also reports

that apprehended North Koreans were abused while in detention in China awaiting repatriation.

Although in past years the PRC sometimes turned a blind eye to the presence of North Korean refugees, reports indicated that it recently sought to discourage unauthorized border crossing by becoming more aggressive in implementing its repatriation policy. The Chinese government offered rewards as high as $400 to those who turned in a North Korean refugee to the authorities, and imposed fines of up to $3,600 on those who harbored refugees.

Pressure from the international community for China to cease repatriation operations continued to be ineffective.

4. UNITED STATES

The U.S., geographically remote from the Korean Peninsula but a treaty ally of South Korea, consistently focused primarily on North Korea's nuclear weapons program. U.S. concerns intensified after the North Korean nuclear weapon test in October 2006. Instead of taking a tougher approach toward the North, however, the U.S. appeared to shift gradually toward increased engagement with the North, including through bilateral negotiations. Although the North Korean Human Rights Act of 2004 was intended to force the U.S. executive branch to give a higher priority to human rights issues, they remained a secondary U.S. government concern.

Since the famine in the mid-1990s, the U.S. provided North Korea with over $1.1 billion in aid and other transfers to the North, over 60% of which was for food aid. The remainder consisted primarily of energy assistance given through the Korean Peninsula Energy Development Organization (KEDO) in exchange for the Kim regime's freeze of its nuclear program. The U.S. channeled most of its food aid to North Korea through WFP, due largely to WFP's extensive in-country presence to monitor food aid distribution. Since the advent of the Bush administration in 2001, however, the U.S. steadily reduced food aid to the North. In 2006 the U.S. government provided no food aid to North Korea.

Until the 2004 North Korean Human Rights Act (NKHRA) was passed, North Korean refugees were not allowed refugee status in the U.S. under Immigration and Naturalization Service guidelines due to their *de facto* citizenship in South Korea. The NKHRA not only authorized up to a $24 million budget for U.S. use in aiding North Korean refugees outside the DPRK (which had yet to be allocated), but also allowed the U.S. to give them refugee status through the same process that all asylum seekers faced.

Even under the NKHRA, the U.S. granted refugee status to only six North Koreans in 2006. Challenges to their further acceptance included the geographic distance between North Korea and the U.S. as well as U.S. security concerns about North Korean agents gaining entrance to the U.S. by posing as refugees. The U.S. continued to urge the PRC, mostly through UN channels, to stop the forced repatriation of refugees, but with little apparent success.

5. INTERNATIONAL DIFFERENCES

Along with Russia and North Korea, the U.S., Japan, South Korea, and China were participants in the Six-Party Talks in Beijing on North Korea's nuclear program. Although all of the participants declared their opposition to North Korea's possession of nuclear weapons, their policies toward North Korea differed substantially. For the U.S. and Japan, North Korea's de-nuclearization was the top priority. Their concern about the risks of a North Korean regime collapse was muted. South Korea and China, on the other hand, continued to be most worried about a regime collapse and other possible sources of major instability on the Korean Peninsula. These differing perspectives and interests significantly limited cooperation among North Korea's neighbors to deal with its human rights and humanitarian issues.

6. UN EFFORTS

UN bodies were more active on DPRK human rights issues in 2006. The UN Commission on Human Rights again passed a resolution on North Korea, as it had done in the years 2004 and 2005. In 2006, however, for the first time, the ROK voted in support of the resolution. Also in 2006, the UN General Assembly, apparently influenced by the North Korean nuclear weapons test, passed on December 19 its first resolution on DPRK human rights. Some, however, continued to criticize UN efforts as inadequate. For example, the U.S. Committee for Human Rights in North Korea published a report in October 2006 entitled "Failure to Protect: A Call for the UN Security Council to Act in North Korea." The report demanded further UN Security Council involvement to address the DPRK human rights issue.

7. EFFORTS BY OTHER GROUPS

NGOs and church groups around the world became increasingly active in 2006 on North Korean human rights issues. NGOs publicized North Korean human

rights abuses in the media. The South Korea-based NGO NK Net published "The Aquariums of Pyongyang," the memoirs of a North Korean defector recounting his experiences as a boy in the gulag; the U.S.-based organization Freedom House held worldwide conferences on North Korean human rights; and the North Korea Freedom Coalition-founded "NK Freedom Week" event was again held concurrently in cities around the world to heighten awareness of DRPK human rights issues. NGOs also remained active along the North Korean-Chinese border, providing assistance to North Korean refugees, gathering information on the situation in North Korea, and helping to disseminate information inside the DPRK.

Some South Korean churches had been very active in the underground refugee movement for a number of years, and in 2006 they also became increasingly involved publicly in the North Korean human rights issue. Korean-American churches also grew more active. Following the North Korean missile tests in July, the Korean Church Coalition, a network of 3,000 Korean-American pastors and churches, joined the Southern Baptist Convention and other church groups and NGOs in July in releasing a statement urging the U.S. and South Korean governments to put human rights issues first on the agenda. Other South Korean churches, however, shared the view of the current South Korean government toward North Korea, believing that such efforts would result in confrontation with the North and hinder practical improvements in the lives of the North Korean people.

IV. PROSPECTS

Although 2006 was a year of significantly increased activism throughout the world on the part of critics of North Korea's human rights situation, the North Korean nuclear and missile tests ensured that the focus of the international community as a whole would remain on security issues. Real improvement in the North Korean human rights situation continued to await enhanced consensus among the international community, especially among the Six-Party Talks participants, on an effective approach to dealing with the challenges posed by North Korea, including an appreciation that security and human rights issues were far from being unrelated.

UN NUCLEAR AND MISSILE SANCTIONS AND NORTH KOREAN ILLICIT ACTIVITIES

Melanie Mickelson Graham

I. INTRODUCTION

The year 2006 on the Korean Peninsula will be remembered in history for North Korea's test of its first nuclear device on October 9. Associated with that event were North Korea's missile tests three months earlier, UN sanctions in response to both the missile and nuclear tests, and North Korea's refusal to cooperate in the Six-Party Talks in Beijing after the U.S. took action in late 2005 against a Macau bank for assisting North Korea in money-laundering.

II. UN SANCTIONS AGAINST THE DPRK

"Sanctions" are restrictions applied by one state to punish another state or to seek to force another state to change its behavior. After North Korea invaded South Korea in 1950, numerous states, led by the U.S., applied various sanctions against the Democratic People's Republic of Korea (DPRK or North Korea). Reasons for sanctions against North Korea today range from national security issues to human rights concerns. Many experts categorize sanctions against North Korea on a gradient from the most formal, such as United Nations Security Council (UNSC) resolutions, to the most informal, such as twenty-four international banks voluntarily ceasing transactions with the DPRK during 2006.

Ten days after North Korea test-launched missiles July 4 – 5 (local time), the UNSC passed Resolution 1695. It condemned the tests and called on the DPRK

to return to its self-declared moratorium on ballistic missile tests. UN member states were instructed to "exercise vigilance and prevent missile and missile-related items, materials, goods, and technology being transferred to DPRK's missile or WMD programmes," as well as prevent financial contributions to weapons programs and any transfers of such weaponry from the DPRK to other states. Resolution 1695 further demanded that the DPRK suspend its ballistic missile program and any nuclear programs and return to the Treaty on the Non-proliferation of Nuclear Weapons.

On October 14, the UNSC responded to the DPRK's nuclear weapon test conducted five days earlier by passing Resolution 1718. Building upon Resolution 1695, the new resolution added sanctions against transfers of a broad range of conventional weaponry to the DPRK. Resolution 1718 also called on UN members to prevent the export of luxury goods to North Korea.

The ban on the export of luxury items to the DPRK was unusual and controversial. Each UN member country was to draft its own list of banned items. As a senior Chinese diplomat explained, "It is difficult to tell what is a luxury good because it differs from country to country." Some countries might define luxury goods as items most valued by their own people, while other states might define them as goods especially valued by the DPRK.

Many experts and observers seemed to approve of the new sanction on luxury goods as a means of showing North Korean leaders that the world was aware of the domestic behavior of Kim Jong Il, who favored trusted elites while making inadequate provision for the basic needs of ordinary North Koreans. However, David Straub, a former State Department official who once participated in the Six-Party Talks, disagreed. He commented, "Morally, Kim Jong Il should not purchase luxury goods for himself or his supporters, [but] the ironic result of the luxury sanctions may be to *increase* elite support for Kim in North Korea, since the measure will be taken as proof by the North Korean elite of the United States' intention to "stifle" North Korea with sanctions …. [M]ost of the other Six Parties and the international community will not seriously attempt to implement . . . the ban of luxury goods, so this part of the resolution detracts from the seriousness with which the UNSC resolution as a whole should be regarded and implemented."

Straub's prediction about the international community's response to the luxury goods ban appeared accurate. As of year's end, fewer than 50 of the UN's 196 member-states had submitted their lists of banned luxury items. Those that were submitted included such items as furs, private planes, motorcycles, cameras, cognac, and iPods.

With no specific incentives or disincentives in place for UN member-states to enforce Resolutions 1695 and 1781, their implementation was spotty. An examination of the motives of some of the main players involved in the North Korean nuclear controversy suggests why some states supported the UNSC resolutions, yet were less than energetic in their application.

1. SOUTH KOREA

Engagement with North Korea remained South Korea's ideal approach to the nuclear problem, even after the North Korean nuclear weapon test, according to various South Korean executive and legislative officials in late 2006. "Economic [cooperation and assistance] policy is a strong focus of North-South cooperation towards unification," commented a Ministry of Unification official.

The "sunshine policy," initiated by then-President Kim Dae-jung in 1998 and continued by his successor President Roh Moo-hyun as the "policy of peace and prosperity," aimed for a so-called "soft landing" for the DPRK. ROK officials claimed that the policy had gradually led North Koreans to understand that living conditions were much better in the South and that the North needed to reform. Even after the North Korean nuclear test, senior ROK government and ruling party officials strongly defended their engagement policy. "Sanctions are working," a leading Uri Party legislator opined. "South Korea suspended rice shipments after the July missile test and North Korea will be 1.5 million tons of grain short. I believe this decision made North Korea decide to return to the Six-Party Talks."

While most South Koreans continued to support at least a generic engagement policy even after the North Korean nuclear weapon test, many South Koreans began to express a more critical attitude toward North Korea and the sunshine policy-type of engagement. A former high-level South Korean Foreign Ministry official said in late 2006 that "South Korea wants to exhaust diplomatic means in order to see North Korea's true intentions of either wanting nuclear weapons for the sake of having them or wanting nuclear weapons for bargaining. After this discovery [process], a harder stance should be taken. However, the current post-nuclear situation is an appropriate time to review the impact of engagement and redirect the policy. It is important for South Korea to participate in sanctions because North Korea clearly violated the 1992 [North-South Korean] denuclearization agreement; we have to punish them in one way or another."

Another former Foreign Ministry official advocated "engagement with principles," referring to global norms of non-proliferation, human rights, and market economies. "Without these, North Korean leaders will have hope to continue … the status quo. Providing goods should come with conditions and pressure for gradual change. This pressure should come through quiet dialogue and quiet diplomacy instead of open criticism."

As the South Korean government implemented UN sanctions against North Korea, however, it remained concerned about the possibility of provoking a military clash with North Korea and continued to believe that increased North Korean dependence on the South would help to ensure peace and stability on the Korean Peninsula. "Inter-Korean trade is still strong despite the missile launch in July and the anger of North Koreans at having conditions put on rice exports," a Ministry of Unification Official disclosed in late 2006. "South Korea doesn't want to sanction interaction like [South Korean-sponsored business and tourist projects in North Korea at] Gaesong and Geumgangsan because they reduce tension and maintain an open military dialogue. Progress has been limited because the DPRK military is limited in what they discuss--it is a small step but a step." South Korea was widely expected to renew food shipments to the North in 2007 before the complete impact of the DPRK's poor rice harvest in 2006 caused starvation.

Apart from the UNSC sanctions, South Korea also felt pressure in 2006 to join the U.S.-led Proliferation Security Initiative (PSI), an informal international effort to prevent the proliferation of weapons of mass destruction. While refusing to become a member or endorse PSI, South Korea observed PSI exercises in April and decided to include interdiction exercises in bilateral U.S.-ROK drills.

A former South Korean government official explained: "Policy-makers fear any confrontation between the two militaries [i.e. of North and South Korea] as a result of PSI. There is a split in the Korean view over the danger of participation in PSI and the possibility of an uncontrollable naval conflict." A U.S. Embassy official commented that he felt the debate about PSI in South Korea had become politicized. The issue of PSI was, he said, "simply an initiative to which countries sign on and comply as much as they want to."

2. CHINA

"China sanctions North Korea because we do not want to see a nuclear peninsula. China agreed to the [UNSC] sanctions because the resolution has two parts:

the first part is about the nuclear issue and the second is on resuming Six-Party Talks and diplomacy. China voted for sanctions *and* diplomacy," remarked a Chinese foreign ministry official. Considering China's past reticence to approve international sanctions, its support of UNSC Resolutions 1695 and 1718 suggested its strong disapproval of North Korea's behavior in 2006. "China wants to slowly change Kim Jong Il's behavior but, with his continued provocations, China is willing to do more and put itself on the line," a U.S. political analyst observed.

Other scholars noted how a crisis across China's border with North Korea could endanger the PRC's continued development at a time when the country's leaders felt that physical, political, and financial stability was crucial. An implosion or explosion in North Korean might mean massive flows of North Korean refugees into the PRC, a deployment of China's armed forces, a drain on China's economic resources, excruciating diplomatic efforts, the presence of foreign troops at the China-Korea border, and nuclear materials outside the control of the North Korean regime—risks that would be of overwhelming concern to any nation. As an East Asian expert observed, "China [thus] gives enough [assistance to North Korea] to prevent collapse but not enough to make North Korea too comfortable and resistant to sanctions."

In 2006, China's oil exports to the DPRK actually increased compared to 2005, while food exports remained at the same level. According to South Korean officials, China provided up to 90% of North Korea's oil and over 30% of its food. The sale of Chinese luxury goods, including fur, electronics, and cars, to North Korea also increased since October, in spite of UNSC sanctions. Choi Sooyoung, a researcher at the ROK's Korea Institute for National Unification, said, "China holds the key in the push against the North, but it has remained reluctant to squeeze a major lifeline to the North."

There was no consensus among experts as to whether the Chinese aid reflected a unique Chinese relationship with North Korea. Chinese officials generally depicted the relationship as good, but a Chinese graduate student studying international relations in Seoul opined that the PRC actually saw the relationship "as a burden, but North Korea has to be maintained or it will collapse."

The debate about how much leverage China had on North Korea was also inconclusive. U.S. officials generally said the relationship was close and that the PRC could, if it wished, exercise considerably more pressure on North Korea. Some even likened the Beijing-Pyongyang relationship to that of Washington and London. However, Chinese officials tended to downplay their country's influence on Kim Jong Il and his elites.

3. JAPAN

Japan was a strong supporter of sanctions against North Korea in 2006 and, with the U.S., led efforts for UN sanctions against North Korea after its missile and nuclear tests. Due to Japan's proximity to North Korea and tense relations between the two, Japan felt itself to be a potential target of North Korean weapons. Japan appeared even more concerned than the United States about North Korea's missile program. In August 1998, North Korea had unexpectedly test-launched a long-range Taepo-dong 1 ballistic missile over Japanese territory. The test-launch of a more advanced Taepo-dong 2 missile in 2006 intensified Japanese concerns.

The Japanese government and public also remained deeply disturbed by North Korea's failure to clarify the fate of Japanese citizens abducted by North Korea during the 1970s and 1980s, and Japanese negotiators told the North Koreans at the Six-Party Talks that they would have to resolve concerns about the abductees before bilateral relations could improve. Shinzo Abe, who succeeded Junichiro Koizumi as Japanese prime minister on September 26, had come to prominence in Japan by taking a tough line toward North Korea on the issue.

In addition to leading the effort for UNSC sanctions against North Korea in 2006, Japan also imposed its own unilateral sanctions against the country, which included a six-month ban on North Korean shipping to and from its harbors beginning in October. By the end of 2006, Japan had already submitted to the UN its list of banned luxury goods to North Korea; luxury items included some of Kim Jong Il's favorite foods.

4. UNITED STATES

Throughout 2006, the United States continued to take a hard-line approach toward North Korea. The U.S. remained concerned, as President Bush said in his State of the Union address in 2002 after the 9/11 attacks, that rogue states such as North Korea might proliferate nuclear weapons, materials, and technology to other rogue states such as Iran or, directly or indirectly, to terrorist groups. While the U.S. did not exclude the possibility of using force to end North Korea's nuclear program, it continued to stress the primacy of diplomacy in the form of the Six-Party Talks. "The purpose of sanctions is to induce North Korea to cease its nuclear program," remarked a U.S. official in Seoul. "The U.S. pushes for sanctions because multilateral talks and bilateral talks are not enough. There needs to be pressure for these talks to have results." A former high-level South

Korean official, however, explained the Bush administration's motivation differently: "President Bush's moralistic approach proscribes negotiating with immoral people."

5. EFFECTIVENESS OF SANCTIONS

The extremely closed nature of the DPRK made it almost impossible to obtain reliable data about the impact of UN sanctions against it, whether on its political calculations, its economy, or nuclear and missile programs. Analyzing the impact of the sanctions was further complicated by the fact that many sanctions had remained in place against North Korea ever since the Korean War.

According to a foreign exchange student who studied in Pyongyang for a year, North Korean officials portrayed sanctions as the cause of their country's economic failings. "Whatever Kim Jong Il says, everyone believes," he said. North Korean Central TV showed Kim delivering a speech to officials in which he declared: "Sanctions and pressure will never work on [North Korea]. If the hostile forces continue escalating sanctions and pressure against [the North], it will resolutely react to them with stronger countermeasures."

Because of the DPRK's "military first" policy and Kim Jong Il's personal support of the ruling cadre, North Korean elites were unlikely to be seriously discomforted by the sanctions. Even after the imposition of UN sanctions on luxury goods, *The Wall Street Journal* reported North Koreans visiting Dandong, China in December to purchase furs, jewelry, cars, and real estate. The South Korean newspaper *JoongAng Ilbo* in December cited an unnamed source in Macau who claimed that, despite UN sanctions, ten North Korean trading companies there were still providing the North Korean regime with luxury items.

However, Korea expert Bruce Klingner commented: "[The] DPRK's economy is so bad that sanctions can impact the country's economy and financial system. Sanctions affected DPRK behavior when on 31 October 2006 they agreed to rejoin the [Six-Party] Talks." A Chinese official agreed that spillover effects from sanctions targeting the nuclear program would hurt the DPRK economy. "Sanctions, he said," will be impactful because North Korea needs aid …. North Korea needs to improve relations, especially with its neighbors, to ease the sanctions."

III. ILLICIT ACTIVITIES

The U.S. government moved strongly against the DPRK's illicit activities in 2005-2006. Experts said that the DPRK had long been engaged in the counterfeiting of U.S. currency and the manufacture and smuggling of illicit drugs and counterfeit cigarettes.

The prime question concerning North Korean illegal activities was the degree of control exercised by the regime. Harvard University researcher Sheena Chestnut posited four possible scenarios:

> A lack of state control where individual officials and citizens had the incentive and opportunity to pursue criminal activity for personal gain.
>
> The state condoned but did not involve itself in the activity; criminal activity was understood to be a "perk" of certain positions within the North Korean state structure but was not centrally supported or coordinated in any way.
>
> The state might know about the activity and control it to a certain extent, but gave organizations a certain degree of latitude in running criminal operations.
>
> The North Korean leadership had pursued a deliberate policy of drug trafficking and counterfeiting, based on either ideological motivations or the need for financial survival, and supported the activity with the full array of assets and personnel available to the central government.

With North Korea's high degree of surveillance of the population and insistence on conformity, it appeared unlikely that the state lacked control over persons engaging in such sensitive international matters. The second scenario also seemed unlikely given the scope and expense of a program producing high-quality counterfeit goods in large quantities. Regarding the third and fourth scenarios, many defectors' testimonies pointed toward a deliberate official policy of illicit activities, but the lack of credible information made a final conclusion impossible.

1. CURRENCY COUNTERFEITING

The DPRK's motivations for counterfeiting U.S. currency were unknown. Speculation included a need for foreign exchange due to sanctions and a failed economy, a desire to maintain the living standard of the ruling elite, procurement

of funds for its nuclear program, and a means of attacking the U.S. economy. In any event, counterfeiting of currency by a foreign state could be labeled an act of war.

The amount of North Korean-counterfeited U.S. dollars, sometimes called "supernotes" due to their high quality, was unknown, but $50 million had been detected in circulation. Analysts believed that this apparently low volume posed little threat to the U.S. economic system. In the case of smaller economies, however, it could cause damage. Both Taiwan and Ireland experienced a local crisis in confidence in the dollar when supernotes were found in circulation there.

Of additional concern in the case of the supernotes was the means of their distribution. In 2005, the U.S. government conducted Operation Smoking Dragon and Operation Royal Charm against criminal rings in the U.S. distributing counterfeit cigarettes, methamphetamines, and counterfeit Viagra. The gangs had promised undercover agents that they would provide them with supernotes and surface-to-air missiles. United States Attorney Debra Wong Yang said on November 9, 2005: "Today's indictment shows a willingness of the smugglers to acquire practically anything for importation – no matter how dangerous or destructive."

2. BANCO DELTA ASIA

On September 15, 2005, the U.S. Treasury Department designated a bank in Macau, Banco Delta Asia (BDA), as a "primary money laundering concern" under the USA Patriot Act for having "been a willing pawn for the North Korean government to engage in corrupt financial activities." North Korea cited the designation as justification for its refusal to participate in Six-Party Talks during most of 2006. U.S. law enforcement and intelligence officials later approached banks and businesses in China, Hong Kong, Macao, Singapore, South Korea, and Vietnam, cautioning them against financial dealings of any sort with North Korea.

Media reports often termed the freezing of the approximately $24 million in North Korean funds in BDA and the subsequent refusal of many banks to handle North Korean accounts as U.S. "sanctions." In fact, the U.S. government itself did not freeze any overseas North Korean accounts. Financial markets themselves reacted to maintain their reputation and avoid regulatory risk. For example, twenty-four banks voluntarily ceased transactions with the DPRK in September.

The U.S. could lift the designation against BDA, but such a step still might not guarantee market confidence in BDA or other institutions dealing with North Korean accounts. In a letter sent to the U.S. Treasury on October 18, the Macau

government and BDA jointly said that BDA would not return North Korean funds in its accounts to North Korea regardless of U.S. actions because the funds would almost certainly be frozen under UN Resolution 1718. A Macau financial official also noted that it was up to the government of Macau, rather than the U.S., to unfreeze North Korea's accounts.

Some U.S. officials told the media that the consequences of U.S. action against BDA were much greater than anticipated. "Because the North Korean leadership placed so many of their foreign exchange eggs in the BDA basket, the sanctions on BDA that prompted the closure of these accounts have had an unusually effective impact," said Brad Babson, a retired World Bank expert on East Asia. A Chinese official commented that "twenty-four million dollars is a lot to North Korea when you look at their foreign currency reserve." The subsequent refusal of many other financial institutions to handle North Korean accounts compounded the damage to North Korea.

With North Korea refusing to cooperate in Six-Party Talks until the U.S. arranged for the return of all its accounts in BDA, tensions began to rise between the U.S., on the one hand, and Six-Party partners China, Russia, and the ROK, on the other. Reflecting media reports of disagreement between the U.S. State and Treasury Departments and his own skepticism of the Bush administration's North Korea policy, South Korean President Roh said: "The U.S. Department of State did not seem to be aware of the Treasury Department's action [against BDA] in advance. On the other hand, the move might have been a joint plot between the two departments." A Chinese official referred to supernotes and BDA as a "U.S.-NK issue" and expressed a desire for the U.S. to be more "flexible" so progress could be made in Six-Party Talks. He described the financial action against North Korea as "a touchstone issue." "North Korea wants to see if … it can have confidence in the U.S. It wants to be shown that the US is doing something to improve relations with North Korea."

Under such pressures, the U.S. held a round of bilateral talks with the DPRK on the BDA issue during the Six-Party Talks in December 2006. The talks suggested a change in the Bush administration's hard-line approach toward the DPRK in general and the BDA issue in particular. A second round was planned for January 22, 2007.

3. ILLICT DRUG AND COUNTERFEIT PHARMACEUTICALS SMUGGLING

In its 2006 International Narcotics Control Strategy Report (INCSR), the U.S. Department of State reaffirmed that the DPRK government likely sponsored production and trafficking of opium, heroin, and methamphetamines ("meth").

Most North Korean-produced meth ended up in Japan, where it was distribution by criminal organizations. Traditionally, 30-40% of meth seized in Japan was tied to the DPRK. More recently, the share of North Korean meth on the Japanese market was declining, apparently due to increased meth production in China or because DPRK meth was attributed to China because of Chinese criminal organizations' middle-man role. North Korean drugs were also trafficked into China, and North Korea served as a primary source of illicit drugs, including heroin, crystal meth, ecstasy, and ketamine, to Taiwan. South Korea received very few controlled substances from North Korean due to their closed border.

The year 2006 saw the trial in Japan of two Japanese men and a South Korean man charged with smuggling 180 kilograms of meth. Japan's National Police Agency (NPA) reported that the men's cargo ship had made many trips from North Korea to Japan since 2000 and that it was used to carry hundreds of kilos of amphetamines. The drugs were packed in bundles, then dropped in waters off Japan for fishing boats to retrieve and take to shore.

In July 2006, the NPA concluded that North Korea's drug trade involved DPRK government participation, based on an investigation into seven cases over nine years. Smugglers claimed that their actions had been overseen by the North Korean government. The NPA believed that three or four secret plants in North Korea were the source of most meth trafficked to Japan. The Japanese investigation was continuing as of the end of 2006.

According to the 2006 INCSR, there was "compelling evidence of DPRK involvement in trademark violations carried out in league with criminal gangs around the world, including ... trafficking in counterfeit Viagra." Because of high prices and demand for Viagra, North Korea presumably made a substantial profit from the sales. While no significant events related to counterfeit Viagra or other pharmaceuticals were disclosed during 2006, investigation into DPRK activities in this arena was ongoing.

4. CIGARETTE SMUGGLING

The Japan Coast Guard confirmed in May 2006, for the first time, that inspectors had found counterfeit cigarettes aboard ships whose last port of call was North Korea. Japanese newspapers reported a new assignment for the special task force investigating the Japanese abductees issue: Uncover how North Korean-made Mild Seven-brand cigarettes were manufactured and distributed in Japan.

Time Magazine in January 2006 disclosed a 2005 investigative report commissioned by major U.S., European, and Japanese tobacco corporations and compiled by undercover agents, informants, and industry experts. The report estimated that 10-12 factories in the DPRK produced 41 billion counterfeit cigarettes per year, with estimated profits of $80-$160 million. It also pointed to the DPRK military and domestic security services as owning some of the factories, while foreign crime organizations owned others. David Asher, who had served as senior advisor to the former Assistant Secretary of State for East Asia and Pacific Affairs James Kelly, claimed that the sale of counterfeit cigarettes constituted the DPRK's biggest source of foreign currency.

IV. CONCLUSION

North Korea's criminal activities to earn foreign revenue appeared unlikely to end soon, despite pressures from the U.S., Japan, and other members of the international community. International sanctions, including those by the UNSC in response to the nuclear and missile tests, did not appear to be well coordinated or carefully implemented, and North Korea, long accustomed to international sanctions, repeatedly stressed that it would not be pressured.

THE KOREAN PENINSULA AND JAPAN

Doo Shik Shin

1. INTRODUCTION

Sin Seuk Ju, a Korean diplomat and scholar during the Joseon Dynasty, once visited Japan and reported back to Korea that it was critical that Korea and Japan maintain a collegial relationship. Five hundred years have since passed, and yet his advice remains relevant. Both Japanese and Koreans commonly refer to their relationship since World War II as "close but distant," i.e. geographically close but not true friends.

With Korea and Japan lacking fundamental trust, the year 2006 saw a further weakening of *de facto* trilateral security cooperation among the U.S., Japan, and the ROK. Controversy continued between Japan and Korea over a number of historical and territorial issues, despite strong economic and people-to-people and cultural ties.

II. U.S.-ROK-JAPAN SECURITY TIES

Throughout the postwar era, Northeast Asian security rested on the triangular defense network of the United States, the Republic of Korea, and Japan. U.S. ground troops in Korea extended frontline defense for Japan while the U.S. Seventh Fleet and Marine units in Japan provided rear-guard support for Korea. Difficult relations between ROK and Japan, however, meant that there was little direct defense cooperation between the two countries. Instead, each relied on its ally the United States to integrate their defense plans indirectly.

1. WEAKENING TRILATERAL SECURITY COOPERATION

In recent years, worsening relations between the ROK and Japan and between the ROK and the U.S., along with strengthened U.S.-Japanese ties, weakened tripartite defense cooperation. In protest of then-Japanese Prime Minister Koizumi's visits to the controversial Yasukuni Shrine, the ROK suspended top-level meetings between the two countries for an extended period. The progressive ROK governments of President Kim Dae-jung and Roh Moo-hyun disagreed strongly with President George W. Bush's North Korea policy. Meanwhile, President Bush maintained cordial relations with Koizumi and his successor as prime minister, Shinzo Abe. The two Japanese prime ministers cooperated closely with the U.S. on both security and North Korea policy.

Popular attitudes in the three nations reflected these official trends. In a survey sponsored by the Chicago Council on Foreign Relations and the East Asia Institute of South Korea in 2004, U.S. respondents rated their feelings toward South Korea at a low 49 points on a scale of 1-100, behind Germany, Mexico, and Israel, and just ahead of France. About half of South Koreans cited "U.S. unilateralism" as a "critical threat" to the Korean Peninsula. On the other hand, a survey by Japan's Ministry of Foreign Affairs in 2004 showed that 89% of American leaders trusted Japan as a partner.

Since the 1990s, the United States feared that a rising China and an East Asian Community concept centered on ASEAN Plus Three (South Korea, China, and Japan) might ultimately result in an East Asia bloc excluding the U.S. Under Koizumi, however, Japan emphasized cooperation with the U.S. over its relationship with Asian countries, and the two worked together to counter Chinese influence.

2. CHANGES IN THE U.S. MILITARY PRESENCE IN THE ROK AND JAPAN

In 2006 the U.S. continued with its plan to withdraw one-third of its 37,000 military personnel from the ROK over the next several years and agreed with a South Korean request to transfer wartime operational control to the ROK. These steps were accompanied by a continuing realignment of U.S. forces and bases in South Korea. About 14,000 troops from the 2nd Infantry Division near the Demilitarized Zone were being relocated south of Seoul, and U.S. Forces Korea (USFK) headquarters was to be moved from Seoul to Byeongtaek, some 50 miles south of the capital.

Meanwhile, the U.S. and Japan were strengthening their military ties. In 2006, some 47,000 U.S. troops were stationed in Japan. Among them were units of the Air Force, Navy (including the Kitty Hawk Carrier Battle Group), and Marine Corps, along with a Special Forces Battalion. In October 2005, the U.S. Secretaries of State and Defense met with their Japanese counterparts at the Pentagon. Capping ten years of negotiations, they agreed on the most sweeping strengthening of their military relationship in more than 35 years. Steps included the transfer of the U.S. Army's Asian operations headquarters, known as I Corps, from the U.S. to Japan, where it would share a base with a Japanese command center.

3. UPGRADING OF JAPANESE SECURITY POLICY

Sharing U.S. concern about a rising China and enjoying U.S. support, Japan under Prime Ministers Koizumi and Abe not only moved to strengthen security ties with the U.S. but also bolstered Japanese defense policy and organizations. As of January 9, 2007, Japan's defense establishment, which was downgraded to an "agency" (the Japan Defense Agency) after World War II, was to be restored to Cabinet-level status as a "ministry." Furthermore, the Abe administration strongly advocated an eventual revision of the U.S.-drafted Japanese constitution. Among other things, Abe wanted new language that would permit Japanese forces to conduct quasi-military operations outside of Japan more freely. After the North Korean nuclear test of October 9, top Japanese government and ruling party officials even called for a debate about whether Japan should acquire nuclear weapons. Prime Minister Abe, however, stated flatly that there would be no such debate.

III. KOREA-JAPAN ECONOMIC COOPERATION

Since Korea and Japan established normal diplomatic relations in 1965, economic ties between the two countries greatly expanded. In 2006 Japan was Korea's third-largest exporting partner and largest-importing partner. Korea's trade balance with Japan recorded a deficit of $24.4 billion in 2005 (see the table below).

(Unit: Billion US$)

Korea to Japan	2003	2004	2005	2006 (Jan – Nov)
Exports	17.3	21.7	24.0	21.8
Imports	36.3	46.1	48.4	42.9
Trade Balance	- 14.7	- 19.0	-24.4	-21.1

Source: Korea's Ministry of Foreign Affairs and Trade

In 2004, Japan and Korea held talks about a bilateral Free Trade Agreement. However, significant differences emerged and the talks were suspended in November of that year. As of December 2006 they had not been resumed.

Korea and Japan also built a significant investment association. As shown in the table below, Japan's investment to Korea amounted to approximately 16% of the total foreign direct investment (FDI) that Korea received in 2005. For Japan, Korea was the sixth-largest investment site, with 197 billion Japanese yen invested in 2005, 14% of Japan's total FDI. Korea's advanced information technology sector was by far the most appealing to Japan in recent years. In 2005, Japan invested 108 billion yen in Korea's IT sector, constituting over half of Japan's total investment in Korea that year.

(Unit: Billion US$)

	2003	2004	2005	2006 (Jan–Sept)
Total FDI to Korea	6.48	12.7	11.5	7.52
Japan Investment to Korea	0.54	2.25	1.88	1.78
% of Japan Investment to Total FDI	8.3%	17.7%	16.3%	23.7%

Source: Korea's Ministry of Commerce, Industry, and Energy

In recent years, Korean and Japanese companies in many industrial sectors established business alliances. For example, since the late 1990s, POSCO, Korea's largest steel manufacturer, held 2.17% equity shares of Japanese steel manufacturer Nippon Steel Corporation (NSC), and NSC held 3.32% of POSCO's shares. On October 21, 2006, the two companies announced they would increase share crossholdings by 2% each. POSCO also listed its shares on the Tokyo Stock Exchange in November 2005.

The financial sectors of the two countries also strengthened ties. It was reported in September 2006 that Mizuho Financial Group, one of Japan's three mega banks, planned to acquire 1% of Korea's second-largest bank, Shinhan Bank, and also establish a business partnership with the Industrial Bank of Korea.

As economies became globalized and competition increasingly fierce, many Korean and Japanese companies began to cooperate not only to maximize their profits but also to block hostile takeover attempts from foreign companies, primarily U.S. and European.

IV. PEOPLE-TO-PEOPLE AND CULTURAL EXCHANGES

People-to-people and cultural exchanges between Korea and Japan were two additional, critically important pillars of the Korea-Japan relationship. Although South Korean feelings about Japan's brutal colonial rule of their country remained strong, the increase in people-to-people and cultural interchanges between the two countries was a hopeful development.

In 2005, over 2.4 million Japanese visited Korea and 1.6 million Koreans visited Japan in 2005 (see the table below). Since Korea and Japan jointly hosted the World Cup tournament in 2002, new air routes between many cities in the two countries were rapidly established to meet popular demand. As of 2006, there were 482 flights per week on 35 air routes between the two countries, including shuttle flights between Gimpo in Seoul and Haneda in Tokyo.

	2002	2003	2004	2005
Japanese to Korea	2,329,196	1,811,701	2,452,800	2,450,117
Koreans to Japan	1,121,672	1,292,809	1,419,786	1,607,457

Source: ROK Ministry of Justice; Japanese Ministry of Justice

Immigration rules in both countries were also improved in recent years to support increased popular interchange between the two nations. Korean and Japanese tourists were able to visit each other's country without acquiring visas. This measure particularly helped to increase interchanges of young students between the two countries. In 2004, over 20,000 Korean junior and senior high school students visited Japan, and 30,000-40,000 Japanese students visited Korea. The number of Korean language programs in Japanese high schools sharply increased, from 7 in 1986 and 73 in 1994 to 163 in 2000.

Cultural exchanges also increased substantially in recent years. Korean singer Boa hit No. 1 on the Japanese music chart, and it was hard to find a Japanese woman in her 40s and 50s who had not watched the Korean TV drama *Winter Sonata*, whose male lead Bae Yong Jun was a major heart throb. Korean movies such as *Shiri, Brotherhood,* and *My Sassy Girlfriend* were also big box office hits in Japan.

Some movie critics commented that Korean movies and dramas had themes that Asian audiences could relate to easily. Korean dramas typically dealt with family issues, passionate but shy love, and filial piety, values many Japanese highly regarded but felt were missing in their busy modern lives. For similar reasons, Koreans increasingly enjoyed watching Japanese movies and TV dramas.

In 1998, Korea, ending a half-century ban, gradually began to open its market to Japanese pop culture. In 2004, Korea allowed the import of Japanese movies, CDs, and video games, and the playing of Japanese movies on cable TV channels. In 2006, Korea further allowed the import of Japanese animated movies (*anime*). As of the end of 2006, Japanese TV talk shows and comedies were among the few Japanese cultural imports still not permitted by the Korean government. As a result of Korea's opening, Japanese cultural imports expanded dramatically. For example, Japanese actress Yuko Fueki played a leading role in a Korean soap opera, and Japanese animation held a great attraction for Korean teenagers.

Over a half century ago, during its colonial rule, Japan attempted to force Koreans to adopt Japanese culture and language. Korea's post-colonial ban on Japanese cultural imports was based both on resentment of Japan's colonial behavior and on Koreans' desire to nurture their own culture. The recent decision to allow Japanese cultural imports reflected Koreans' increased confidence in their own cultural products and a desire to improve relations with Japan.

V. HISTORICAL AND TERRITORIAL ISSUES

Although over sixty years had passed since Korea's liberation from Japanese colonial rule, Koreans continued to feel that Japan needed to do much more to acknowledge mistakes it made during the colonial and wartime periods. They felt that official Japanese statements of apology had been made reluctantly and half-heartedly. While then-Prime Minister Koizumi made an official expression of remorse to Koreans on August 15, 2005, the 60th anniversary of Korea's liberation from Japan, Koreans noted that only two months later he visited Yasukuni Shrine, which enshrined not only the spirits of ordinary Japanese soldiers but also of convicted war criminals. In recent years, many unresolved

historical and territorial issues stemming from the period of Japanese colonial period resurfaced, including Japanese leaders' visits to Yasukuni Shrine, a dispute over the island of Dokdo (referred to as "Takeshima" in Japan), and the description of Japanese historical actions in Japanese junior and senior high school textbooks.

1. KOIZUMI'S VISITS TO YASUKUNI SHRINE

Prime Minister Koizumi repeatedly visited Yasukuni Shrine after his election as prime minister in 2001. Not only Koreans and Chinese but also many Westerners regarded his behavior as symptomatic of Japan's failure to deal with the past as effectively as Germany. When Koizumi visited Yasukuni for the third time in 2003, he said, "It's the New Year, and I'm going to pay my respects with a fresh perspective, to think about peace and hope we will never have war again." With fourteen "class A" war criminals enshrined at Yasukuni, however, many observers asked whether a German leader would have paid respects at a facility honoring Hitler and his lieutenants.

2. DOKDO ISLAND ("TAKESHIMA" IN JAPAN)

A dispute between the two nations over Dokdo and the territory surrounding the island flared up once again in 2005-2006, as indicated by the timeline below. Dokdo was forcibly claimed by Japan from Korea in 1904 and reclaimed by Korea after WWII. For Koreans, Dokdo was not just a legal territorial issue; it was also of fundamental symbolic importance.

Dokdo Timeline

March 16, 2005	Japan's Shimane Prefecture declared "Takeshima Day"
April 2005	A Japanese textbook called the island "Takeshima"
April 14, 2006	Korean and Japanese foreign minister talks (Doha Summit)
May 23, 2006	Bilateral talks
September 2006	Further bilateral negotiations

Johns Hopkins University Professor Don Oberdorfer wrote that "The Koreans have always ... been extremely careful to protect their own (territory) because they are surrounded. Also, they are extremely sensitive to any sense of encroachment." Koreans were concerned that the Dokdo dispute indicated that Japan did not regret its colonial rule and that it might one day again take an aggressive path.

3. JAPANESE TEXTBOOKS

Koreans were also distressed and angry about Japanese school textbooks that they felt whitewashed Japanese colonial and wartime behavior. In Japan, all schools chose their history texts from a list of eight approved by the Ministry of Education (MOE). A group known as the Japanese Society for History Textbook Reform received MOE approval in 2001 for a controversial textbook written by nationalist historians. Furthermore, new middle school textbooks issued in April 2005 and high school textbooks issued in March 2006 also contained controversial changes.

Some of the new textbooks removed passages about "comfort women" forced into prostitution for the Japanese military and the torture of Koreans by the Japanese army during the colonial period. References to Japan forcefully bringing many Koreans to Japan during the colonial period were also omitted. The Korean government complained to the Japanese government that some of the new Japanese middle school textbooks still attempted to justify and glorify past Japanese wrongdoings.

Koreans remained deeply concerned that the textbook shortcomings meant that Japanese young people did not know about and thus were insensitive to the concerns of Koreans and other Japanese neighbors. Koreans feared this might lead to further frictions and even conflict in the future.

VI. CONCLUSION

Despite the long legacy of war and other historical disputes, including four decades of Japanese colonial rule in the past century, Korea and Japan developed and sustained a diplomatic relationship since 1965. They were able to do so by building on three pillars – tripartite security cooperation with the U.S., bilateral economic cooperation, and people-to-people and cultural exchanges. While

security cooperation weakened in recent years, economic and people-to-people and cultural exchanges continued to develop greatly in recent decades, providing some stability in bilateral relations and giving hope for further improvement. Still, the Korea-Japan relationship suffered from a lack of fundamental trust. Without greater efforts to resolve unsettled historical and territorial issues, it seemed unlikely that such fundamental trust would be achieved in the foreseeable future.

SINO-KOREAN RELATIONS

Limin Liang

I. INTRODUCTION

Already in 1996, in an opinion poll conducted by the ROK Ministry of Information, 47.1% of South Korean respondents chose China as likeliest to be their country's "closest partner in the year 2006," compared to only 24.8% who said it would be the US. In 2006 the PRC was the ROK's largest trading partner, as it had been since 2004. While Sino-North Korean relations were no longer "as close as lips and teeth," China continued to account for nearly 90% of North Korea's oil imports and a significant portion of its food aid in 2006. As a giant neighbor in the Korean Peninsula's backyard, a power that continued to rise and that sought a restoration of what it regarded as its rightful place in Asia and the world, China was the one country that exerted the most influence over Korean Peninsula affairs apart from the United States.

South Korean President Roh Moo-hyun & Chinese President Hu Jintao

The year 2006 saw important developments in relations between China and the two Koreas. North Korea's ballistic missiles tests in July and nuclear weapon test in October dominated diplomacy on the Korean Peninsula. While many viewed the U.S. as ultimately the party that needed to negotiate and come to agreement with North Korea on the nuclear and other security issues, the spotlight was on China, the one country widely regarded as a key to bringing North Korea back to the negotiating table and the necessary power to broker a deal between North Korea and the United States. To the South, the alliance between the ROK and the U.S. continued to be under strain, with tensions over the issue of the transfer of wartime command of ROK forces from the U.S. to the ROK. As ROK-Chinese economic ties continued to grow and their positions on the North Korean nuclear issue remained closer than that of the ROK and the U.S., some suggested that China might become an alternative partner for the ROK.

II. CHINA AND NORTH KOREA

On July 5 (local time), eight months after the fifth round of the Six-Party Talks ended in impasse in November 2005, North Korea test-fired a total of seven missiles, including one long-range Taepo-dong-2 and six other shorter range missiles. The seventh missile was fired despite international condemnation of the six launched hours earlier. All of the seven missiles fell into the Sea of Japan (East Sea). The Taepo-dong-2 missile, while failing only about 40 seconds after its launch, had an estimated range of 5,000-6,000 kilometers. Theoretically, it could have reached Alaska, Hawaii or even parts of the U.S. west coast.

In response to the missile tests, the UN Security Council unanimously passed Resolution 1695 on July 15, condemning North Korea's missile launches, demanding that it halt its ballistic missile program, and requiring all UN member-states to stop exports and imports of missile materials to North Korea. In early October, after North Korea announced its intention to conduct its first test of a nuclear weapon, the UN formally called on North Korea to desist. In defiance of the international community, however, North Korea went ahead and conducted a nuclear weapon test on October 9.

Both the missile and the nuclear tests were widely interpreted as a slap in China's face. China was the DPRK's key ally for much of the past six decades. While Sino-DPRK relations declined in the 1990s due to leadership changes in both countries and the PRC's economic reform path, China and North Korea remained allies. For North Korea, especially, China was critically important. China served as North Korea's major source of foreign assistance, including up to

90% of the country's oil supplies, much of it sold on credit or for bartered goods. China was also North Korea's largest export destination and import supplier. In 2005, 39.8% of North Korea's imports came from China, compared with 26.2% from South Korea, its second-largest trading partner. In 2006, trade between North Korea and China reached the highest ever recorded. It totalled $1.7 billion, a 7.5% increase compared to the figure in 2005.

China shared a 1,400 kilometer-long border with North Korea. In the 1950-1953 Korean War, China committed a large number of troops to "resist U.S. aggression and aid Korea," suffering over one million casualties, including Mao Zedong's son. The DPRK would not have survived the war without China's help. The two countries signed the PRC-DPRK Treaty of Friendship, Cooperation, and Mutual Assistance in 1961, which contained provisions for a military alliance.

China played a key role in international diplomacy regarding North Korea during the past decade. It was China that recommended that North Korea join the UN along with South Korea in 1991. It also played an important role in urging North Korea to accept the Four-Party Talks jointly proposed by South Korea and the U.S. in April 1996 and in the preparatory, behind-the-stage negotiations for the North-South Korean summit of 2000. Beijing arranged for three-party talks including North Korea, the United States, and itself in Beijing in April 2003, and its shuttle diplomacy helped to establish and maintain the succeeding Six-Party Talks. Beijing not only hosted but also chaired all sessions of the Six-Party Talks, which began in 2003, and continued, fitfully, through the end of 2006.

Just days before the North Korean missile tests in July, after various published reports pointed to imminent missile launches, the Chinese government for the first time openly cautioned North Korea to avoid such actions. "We are paying close attention to the information showing that there might be a possible missile-testing launch by North Korea …. We hope that the various parties will proceed from the greater interest of maintaining stability on the Korean Peninsular and refrain from taking measures that will worsen the situation," said China's premier, Wen Jiabao, in a news conference with the Australian prime minister. North Korea ignored the warning and proceeded with the test launches.

North Korea again gave China a slap in the face less than three months later in October. It informed the PRC of its nuclear test only 20 minutes in advance. The timing of the test was also viewed as a direct insult for China, since it took place the day after Japanese Prime Minister Abe had visited President Hu and following the week-long Chinese National Day holiday.

China's displeasure and anger over North Korea's actions were evident. Following the missile tests, China's ambassador to the United Nations called the test-firings "regrettable." China Daily, an organ of the Chinese government, stated in an article on July 17 that it was necessary for the Security Council permanent representatives to vote unanimously on the UN resolution that condemned DPRK's action. China and Russia sponsored their own version of a UN resolution condemning the DPRK's missile test, albeit softer in tone than the one sponsored by the U.S. and Japan. In August, China unprecedentedly allowed three North Koreans who had taken refuge in a U.S. consulate in China's northeast region to travel to the U.S. Long opposed to Japan's bringing up the issue of its abducted citizens in the Six-Party Talks, China reportedly told Japan that same month that it would no longer object to such Japanese representations.

The Chinese tone became even harsher after the DPRK's nuclear test. In a regular press conference held the day after the nuclear test, Chinese foreign ministry spokesperson Liu Jianchao characterized North Korea's action as "hanran" or "brazen." It was the first time that China had publicly used such harsh language about North Korea. The statement was published on the front page of the People's Daily, the official mouthpiece of the Chinese Communist Party. In the same press conference Liu added that the nuclear test had negatively impacted Sino-DPRK relations.

A week later, President Hu Jintao said in a meeting with a Japanese parliamentarian that "it is regrettable for North Korea to test a nuclear weapon, even though we had already issued a stern warning to the regime. It is necessary to make it recognize the strong repulsion of the international society against the nuclear test." Furthermore, China's propaganda authorities allowed Chinese tabloids and Internet news sites to freely criticize North Korea's action. Finally, China voted to adopt UN Resolution 1718, which allowed states to inspect cargo going into and out of the DPRK (although not backed by military force), banned the export of luxury goods to the country, and demanded that North Korea eliminate all its nuclear weapons, weapons of mass destruction and ballistic missiles, and return to the Six-Party Talks without precondition.

While China was clearly disturbed and offended by North Korea's attitude and actions in 2006, the fundamental question was whether China had shifted to a tougher policy toward North Korea. Some Bush administration officials suggested that North Korea's nuclear test had indeed changed China's perspective on North Korea. They said that China had come to regard the North Korean regime as a threat to its interests and predicted that the PRC would begin to use coercive measures against the country if necessary.

Many experts, however, believed that the U.S administration's interpretation reflected a misunderstanding of Chinese interests as Beijing saw them. First, the Chinese government had repeatedly indicated that its first and foremost task was to maintain peace and stability in the region for the sake of continued Chinese economic development and domestic stability. Despite the country's impressive economic growth during the past three decades, Beijing faced numerous serious domestic challenges, including a widening rural-urban income gap and increasing social unrest exacerbated by official corruption. During the past decade, an estimated 50,000-300,000 North Koreans had fled to reside in northeastern China, where massive layoffs from state-owned enterprises had already created much discontent. Beijing feared that a collapse of Kim Jong Il's regime, a U.S. military strike, or other instabilities in North Korea would result in a further, massive influx of North Korean refugees into China. The PRC also was concerned that a major increase in the number of ethnic Koreans living in its border region might even lead to calls for secession in the long run. Thus, in violation of international refugee law, China continued to repatriate refugees to North Korea, where they sometimes faced severe persecution. Second, the PRC regarded North Korea as a strategic buffer state against the U.S. If the Korean Peninsula were unified in the foreseeable future, the PRC realized it would likely be a result of instability in North Korea and that unification would occur largely on South Korean terms. Under such circumstances, the PRC feared that the U.S. might deploy its military forces on the Korean Peninsula up to the Chinese border.

Thus, it did not appear likely that North Korea's provocative actions in 2006 would alter China's longstanding basic stance. While preferring that North Korea not have nuclear weapons, China was perfectly aware that neither North Korea's missiles nor its nuclear weapons were directed against China. Unlike some in the Bush administration, China clearly regarded the weapons, not North Korea itself, as the problem.

It was noteworthy that, immediately following North Korea's missile tests, the Chinese foreign ministry spokesperson, while expressing serious concern about the tests, urged "the parties concerned to keep calm and exercise restraint, make more efforts to promote peace and stability in the Korean Peninsula and northeast Asia and avoid actions that further intensify and complicate the situation." The initial draft UN resolution on the missile test, introduced by Japan and backed by the United States, was drawn up under Chapter VII of the UN Charter, which authorizes member states to take military and non-military action to "restore international peace and security." The Chinese government opposed the draft as an "overreaction" and placed priority on bringing North Korea back to the Six-Party Talks regardless of whether the DPRK agreed to conduct no further tests. The draft resolution that China proposed

was a non-binding Council statement with no real threat of punishment. Ultimately, Resolution 1695 was passed with China's support. It was, however, a much-watered down version of Japan's initial draft and lacked Chapter VII authorization. China was also rumored to have briefly cut off oil exports to North Korea in September as leverage against the DPRK, but the report appeared to have been erroneous.

China's approach toward the DPRK nuclear test was similar. China was clearly angered by North Korea's behavior, but, again, would not support a Chapter VII UN resolution, despite calls by the U.S., Europe, and Japan. Instead, it urged a UN response that was "firm, forceful and appropriate" but at the same time would "create conditions for the parties once again to engage in negotiations." Resolution 1718, therefore, was another resolution not backed by the threat of military force. It did impose financial and weapons sanctions against North Korea, but China's enforcement of the sanctions was questioned. Two weeks after the resolution was passed, The New York Times reported that the UN resolution had not yet resulted in any difference in cargo inspection at the Chinese border.

After the nuclear test, China continued its efforts quietly to help the Six-Party Talks resume and otherwise played its mediating role. PRC State Councillor Tang Jiaxuan led a high-level delegation to Pyongyang days after the nuclear test, and in late October Beijing hosted informal talks with nuclear negotiators from North Korea and the United States. On October 31, North Korea announced it would return to the six-party talks. The sixth round of the Six-Party talks resumed in December and lasted for a week. It ended with no progress made, however, as North Korea insisted first on the return of it funds in Banco Delta Asia in Macau, frozen since 2005 due to U.S. actions. China continued to show little interest in pressuring North Korea. Despite the lack of progress, chief U.S. negotiator Christopher Hill praised the Chinese diplomats at the talks as "A-class" and "an inspiration."

Trade between China and the DPRK continued business as usual and even increased. Bilateral trade was $1.1 billion in 2000. According to Chinese Ministry of Commerce statistics, trade with North Korea in the first eleven month of 2006 increased 5.5% compared to the same period in 2005; exports alone increased 12.7%. China also continued its policy of repatriating North Korean refugees. The U.S. Committee on Human Rights in North Korea denounced China's refugee repatriation policy and agreement with North Korea on refugee returns as a "clear violation of the UN Refugee Convention." A coalition of Christian and human rights groups held protests against China's refugee policy in five U.S. cities and 12 countries on December 3.

III. CHINA AND SOUTH KOREA

While military alliance was a dominant aspect of relations between South Korea and the United States, the relationship between China and South Korea included everything but military cooperation. The pattern continued in 2006. China and South Korea continued their extremely positive relationship on the economic, social and people-to-people exchange fronts. Due to similar strategic interests on the issue of North Korea, their positions on North Korea's missile and nuclear tests continued to converge, which enhanced their overall relations. A highlight of the year in exchange between the two governments was President Roh Moo-hyun's state visit to China in October, his second there since taking office in February 2003.

China had been South Korea's largest export market since 2003 and its largest overall trading partner since 2004, surpassing the Unites States (Figure 1). China's large export market helped keep the South Korean economy growing in recent years. Indeed, the dominant image of China among South Koreans was that of a huge economic opportunity for their country. For China, South Korea was its fourth-largest trading partner, fourth-largest export market, and third-largest import source. In 2006, overall trade volume between the two countries reached $118 billion, an increase of 17.4% from 2005. Chinese exports to South Korea increased by 25.6% and imports by 12.2%. South Korea in 2005 had a trade surplus of $41.7 billion with China, the largest contributor to South Korea's external trade surplus. The trend continued in 2006, although the amount fell by 14.4% compared to 2005.

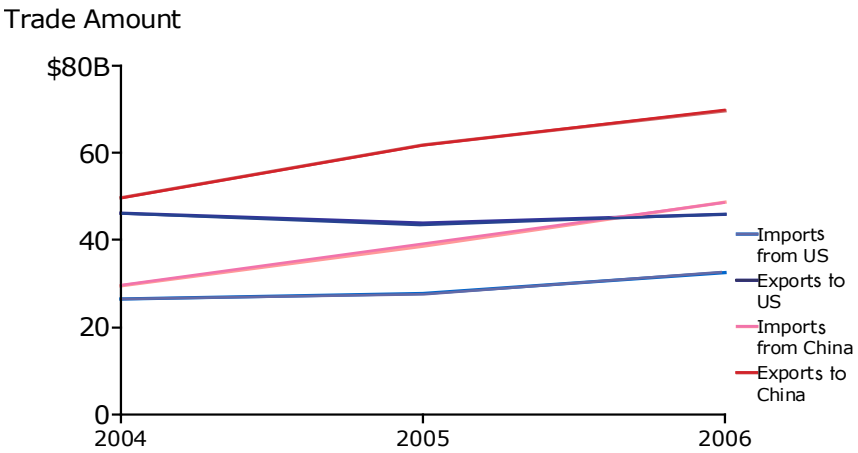


Figure 1: South Korean Trade with China & U.S., 2004-2006

Source: Chinese Ministry of Commerce & U.S. Department of Commerce statistics

Foreign direct investment (FDI) between the two countries was also remarkably high. In 2006, South Korea accounted for over 8.5% of FDI in China's non-financial sectors, second only to Japan. In terms of FDI in all sectors, South Korea ranked fourth. By the end of 2005, the number of approved South Korean investment projects in China had reached 38,900, with $70.2 billion in contracts and $31.1 billion in paid-in total FDI. In the first six months of 2006, total South Korean investment to China totalled $1.577 billion in 1,145 projects. The Lotte Group, South Korea's largest distributor, for example, decided in 2006 that it would team up with a Chinese real estate developer to open its first overseas department store in a central business district in Beijing by 2008 and was considering opening department stores in northeastern China. South Korean investment was concentrated in China's three northeastern provinces near North Korea and the Korean Peninsula.

Bilateral economic ties improved in other areas as well. March saw the kickoff of a formal joint working group between the South Korean Securities and Future Exchange and the Chinese Securities Regulatory Commission to discuss listing Chinese companies in South Korea.

Social exchanges between the two countries also increased remarkably. South Korea beat Japan as the top source country for foreign travellers to mainland China in 2006. The ROK ambassador to China, Kim Ha Joong, said in November that a "Chinese wind" was sweeping his country, as over 10,000 South Koreans were visiting China daily. China also sent a large number of travelers to South Korea, which ranked fourth among the top ten destinations for Chinese traveling overseas. In 2006, a total of 897,000 Chinese visited South Korea while 3,924,000 South Koreans visited China. Academic exchanges were rapidly developing. More than 50,000 ROK students were studying in China, and ROK citizens residing in China, topped 500,000. Nearly 15,000 Chinese students attended South Korean universities, constituting about two-thirds of all exchange students in the ROK.

During President Roh's visit to China in 2006, the two countries reached an agreement to conduct a free trade agreement feasibility study at government, industrial, and academic levels. Earlier in the year, Chinese Minister of Commerce Bo Xilai had urged an FTA with South Korea to further increase bilateral trade and investment when he met his South Korean counterpart. A non-governmental FTA feasibility study had been underway since November 2004. Beijing hoped that an FTA would ease its large trade deficit with South Korea.

President Hu also thanked President Roh during his visit for ROK's adherence to the one-China policy, a subject related to an important agreement reached between the ROK and the U.S. during early 2006 that was of strategic interest

to China –the "strategic flexibility" of U.S. forces stationed in South Korea. Strategic flexibility was the concept that U.S. Forces Korea (USFK) would no longer be responsible exclusively for ensuring peace and stability on the Korea Peninsula but could also be deployed abroad flexibly and rapidly in response to conflicts and disputes. Some argued that the ROK agreement increased the possibility that, in the event of tensions or conflict between China and Taiwan, USFK units would be mobilized to intervene.

ROK's acceptance of the concept of U.S. strategic flexibility was controversial within both Korea and China. In March 2006, the Chinese ambassador to South Korea warned that it "should never be used to allow U.S. troops based in South Korea to intervene in a possible conflict between China and Taiwan." In response to the Chinese government's concern, South Korean Foreign Minister Ban Ki-moon said that "our government opposes U.S. troops stationed in South Korea being deployed to a conflict region in Northeast Asia against the will of our people." The same position was reiterated by President Roh and included in the ROK-U.S. joint statement on strategic flexibility.

IV. CONCLUSION

With Sino-North Korean relations already in decline during the past decade, North Korea's missile launches and nuclear test in 2006 caused the two to drift further apart. China's displeasure and anger over North Korea's actions were not subtle. As much as the two events hurt their relationship, however, the two were still bound in a military alliance by a treaty signed in 1961. While the treaty was somewhat anachronistic, the survival of the North Korean regime remained a key PRC strategic interest, in part because of its lack of trust in the United States.

At the same time, North Korea's weapon tests appeared likely to continue to draw China and South Korea closer, since both opposed North Korea's nuclear program but also opposed the Bush and Abe administrations' hard-line approaches toward Pyongyang. Close trade and investment relations further enhanced Sino-South Korean relations. Their partnership, however, would likely remain limited due to differences in other strategic interests. Both Koreas were outraged by China's claim a few years ago that Goguryeo, one of three ancient Korean kingdoms, was part of the Middle Kingdom. Some called it merely an academic issue, but history was a matter that carried heavy weight for nationalistic Chinese and South Koreans.

PRC and ROK interests were also different on the issue of Korean unification. As noted above, China feared that unification on South Korean terms might mean having U.S. troops stationed along its border. China thus preferred the status quo, with North Korea as a buffer state, at least until the DPRC regime could reform itself to the extent that unification would no longer constitute absorption of North Korea by the South or until the ROK no longer had an alliance with the U.S. However, the ROK and even a unified Korea would likely continue to prefer alliance with a distant power such as the U.S. to balance Chinese power. Economic ties between China and South Korea were expected to continue growing, although at some point South Koreans would probably become concerned about their increasing dependence on the Chinese economy.

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