

**Japanese Economic Power and
Security Policy in the Post-Cold
War Era: A Case Study of Japan-
North Korea Security Relations**

VOL II

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4 Japanese security and the North Korean security problem

This chapter begins to introduce the case study of Japan-North Korea security relations which will be used to investigate empirically the opportunities for Japan to act as a global civilian power in the post-Cold War period. The aim of the chapter is to offer a reassessment of our understanding of the nature of the North Korean security problem. The historical overview of international politics surrounding the Korean Peninsula and the account of the North Korean nuclear crisis will show that problems of security involving North Korea have often centred on military conflict and power. However, at the same time that these military aspects of the problem remain important, this chapter's analysis will also show that in the post-Cold War period the problem of North Korea has begun to be viewed by policy-makers on all sides as one generated by economic insecurity and which requires a solution based on economic power. Hence, this chapter then argues that the case of North Korea is an ideal and vital one for testing Japan's use of economic power for security purposes.

THE KOREAN PENINSULA AS A PROBLEM OF MILITARY AND ALLIANCE POLITICS

Historical Overview: The Korean Peninsula and Great Power Politics from the Chinese World Order to the Western Imperial World Order

The nature of the Korean Peninsula security problem has been and continues to be dictated by its position as the geographical and historical centre of convergence for the strategic interests of the major regional and world powers of the day.¹ All of the

¹Peter Polomka, *The Two Koreas: Catalyst for Conflict in East Asia?*, London, The International Institute for Strategic Studies, 1986, p. 3; Byung Chul Koh, *The Foreign Policy Systems of North and South Korea*, Berkeley, Los Angeles and London: University of California Press, 1984, p. 3.

regional powers--China, Japan, Russia/USSR, and later the US-- have sought over time to defend their individual perceived strategic and security interests on the Korean Peninsula, and to lock Korea into their respective world views. The various phases of Northeast Asian and Korean history have witnessed a repetition of this process, marked by diplomatic and military competition between the great powers, which then spills over into armed conflict, with implications for both regional and international security. Caught in the midst of this great power rivalry, the Korean people has often lacked the ability to assert their independence and to break out of a seemingly endless historical cycle.²

China has contributed to this pattern of international politics surrounding Korea by the assertion of its traditional interests on the Korean Peninsula from the establishment of the Chinese World Order through to the mid-twentieth century. The Korean kingdoms of Silla (676-935 AD) and Koryo (935-1392 AD) accepted Chinese suzerainty, and the import of Chinese culture and modes of government based on Buddhism and Confucianism. For China, the Korean Peninsula represented both an invasion route to Japan and a barrier from Japanese aggression, and China was careful to exclude other powers from influence on the Korean Peninsula. This geopolitical reality continued to shape Chinese policy towards Korea in later periods. Even as Chinese influence waned in East Asia and was replaced in the nineteenth century by the onset of Western-oriented imperialism, China retained its interest in a Korean Peninsula free from domination by hostile powers. The Tonghak Rebellion and the Sino-Japanese War of 1894-95 (fought entirely on Korean soil) were provoked by rivalry between the two powers over influence in Korea.³ Japanese occupation of Korea, and internal divisions within China itself, reduced Chinese influence on the Korean Peninsula during the early twentieth century. But China's strategic interests in Korea were still recognised as late the Teheran Conference of 1944, in which the Allied Powers made the initial

²Edward A. Olsen, 'The diplomatic dimensions of the Korean confrontation', in Sheldon W. Simon (ed.), *East Asian Security in the Post-Cold War Era*, New York, M. E. Sharpe, 1993, p. 90.

³Byung Chul Koh, *The Foreign Policy Systems of North and South Korea*, p. 1.

proposal that after liberation Korea should be placed under the trusteeship of Russia, the US, Great Britain, and China.⁴

The late nineteenth century saw the entry of Tsarist-imperial Russia into great power competition on the Korean Peninsula. In a similar fashion to China, Russian strategy was designed to prevent the domination of Korea by another power, and was mindful of the possible exploitation of the Korean Peninsula as a route for Japan to threaten Vladivostok and other newly acquired territories in the Russian Far East. Russian and later Soviet strategy was frustrated by Japan's advance into Korea in the early twentieth century. However, as with China, the USSR's interests in Korea were recognised by the Teheran Conference.

Japan's strategic outlook on the Korean Peninsula has resembled that of China and Russia throughout history. Like their counterparts in Korea, early Japanese rulers accepted nominal Chinese suzerainty, and in the seventh century AD cooperated militarily with China in Korea.⁵ Japanese rulers were also aware of the Korean Peninsula serving as an invasion path to and from Japan and continental Asia.⁶ The attempted Mongol invasions of Japan in 1274 and 1281 were launched from Korea, and, conversely, Toyotomi Hideyoshi launched his offensives against China in 1592 and 1598 via the Korean Peninsula. Hence, by the nineteenth century and the beginnings of Japan's participation in the Western imperial world order, Korea was seen as a 'dagger pointed at the heart of Japan', and the strategic aim of Japan's rulers was to prevent China or Japan's imperialist rivals from seizing control of it and threatening Japan's security. As has been described, the Sino-Japanese War of 1894-95 was fought over the issue of influence in Korea, and Japan's hegemony over Korea was confirmed subsequently by the defeat of China and the Treaty of Shimonoseki. Japan fought the Russo-Japanese War of 1905 to halt the encroachment on its sphere of influence by Russia, and in the peace

⁴Michael Yahuda, *The International Politics of the Asia-Pacific, 1945-1995*, London, Routledge, 1996, p. 22.

⁵John Welfield, *An Empire in Eclipse: Japan in the Post-War Alliance System: A Study in the Interaction of Domestic Politics and Foreign Policy*, London, Athlone, 1990, p. 3.

⁶Okazaki Hisako, *A Grand Strategy for Japan's Defense*, Boston, University Press of America, 1986, p. 12.

treaty of September of the same year, Russia was forced to acknowledge the, 'paramount political, military and economic interests' of Japan in Korea.⁷ Japanese strategic gains in Korea were consolidated first by the Taft-Katsura agreement of 1905 in which Japan recognised the US position in the Philippines in return for the recognition of its own position in Korea, and then by approval of Great Britain for its annexation of Korea in 1910.⁸ Korea remained a focal concern of Japan's imperial strategy in the run-up to and during World War II. Japanese advances in Manchuria were in part a reaction to the need to protect Korean possessions from the expansion of Soviet power, and in 1945 after the USSR entered the war against Japan their forces clashed briefly in Korea.

A brief overview of these phases of Korean history reveals, then, that each one was dominated by the interplay of the interests of the great powers, and that these interests were relatively fixed and involved a search for national security. The uncompromising logic of these interests continued to generate tension and regional conflict right up until 1945. In turn, the end of World War II and the onset of the Cold War can be seen as putting the cycle of history into motion once again due to renewed strategic rivalry on the Korean Peninsula between the great powers. But during the Cold War, the Korean Peninsula also took on new strategic dimensions in size and scope, with a reduced role for Japan, and the direct entry into Korean politics of the USSR, and, for the first time the US.

The Korean War and Cold War

The US has been a relative latecomer to great power conflict and strategic rivalry on the Korean Peninsula. US policy-makers did express a concern with the balance of power in Korea and Asia as whole in the period before World War II, as shown by the Taft-Katsura agreement of 1905, but the main purpose of this had been to protect the US's own sphere of influence in Southeast Asia and the Philippines. In

⁷Cited in Nena Vreeland, Rinn-Sup, Peter Just, and Philip W. Moeller, *Area Handbook for North Korea*, Washington D.C., Foreign Area Studies of American University, 1976, p. 24.

⁸John Welfield, *An Empire in Eclipse*, pp. 13-14.

1945 the US agreed to the temporary division of the Korean Peninsula and to accept the trusteeship of the southern half of Korea, but by 1947-48 the decision had been taken to withdraw US troops.⁹ The limited interest of the US in Korea was shown by US Secretary of State Dean Acheson's description in January 1950 of the Korean Peninsula as outside the US security perimeter.¹⁰ The outbreak of the Korean War six months later on 25 June immediately transformed the US's strategic priorities, and Korea became the frontline of US containment policy. Henceforth, even though the US is not geographically close to Korea, its power projection capabilities and its position as a Pacific and global power have made it functionally a regional power in connection with Korea.

The US's involvement in the Korean War, along with the other big powers of the USSR and China, led to an extension of the nature of the Korean conflict and security problem. States continued to assert their traditional and historical strategic interests. This was shown by China's intervention in the war to stop threatened US advances across the Yalu River, so denying the Korean Peninsula as an invasion route to China and restoring North Korea as a buffer state. But the traditional strategic interests of the major powers became overlain also by the new dictates of the Cold War, and Korea became the site of a conflict with regional and global security implications. The Korean War, as with the Vietnam War in the next decade, served as an extension for Cold War struggles elsewhere, and formed an outlet for 'hot war'. Superpower conflict in Korea meant limited but direct clashes of the superpowers' conventional military air forces, and threats by the US in the later stages of the conflict to use nuclear weapons as well.¹¹ The Korean War,

⁹In fact, the US did not withdraw its combat troops until 30 June 1949, leaving behind a 500-man Korean Military Advisory Group (KMAAG). After the withdrawal of its troops, the US continued to provide military and economic aid to the South's army.

¹⁰Bruce Cumings and Jon Halliday, *Korea: The Unknown War*, London, Viking, 1988, p. 132; Michael Yahuda, *The International Politics of the Asia-Pacific*, p. 25.

¹¹Despite denials by the US authorities during the Korean War, it later emerged that US and Soviet fighters engaged each other over the skies of Korea. Michael Yahuda, *The International Politics of the Asia-Pacific*, p. 28. For analyses of the US's nuclear policy during the Korean War, see Roger Dingman, 'Atomic diplomacy during the Korean War', *International Security*, vol. 13, no. 3, Winter 1988-89, pp. 50-91, and Rosemary J. Foot, 'Nuclear coercion and the end of the Korean conflict', *ibid.*, pp. 92-112. Bruce Cumings and Jon Halliday, *Korea: The Unknown War*,

therefore, ushered in a period of great power and superpower rivalry, which generated instability and led to the application of a bi-polar structure of military, economic and ideological politics upon the Korean Peninsula.

The end of the Korean War, marked by the signing of an armistice in 1953 but no peace treaty, meant the further application of global bi-polarity on the Korean Peninsula, and it now became one of the centres of interaction for the two Cold War military and security systems. On one side, the USSR and China cemented alliances with North Korea to guarantee their joint strategic and security interests. North Korea signed a Treaty of Friendship, Cooperation and Mutual Assistance with the USSR on 6 July 1961, and a similar treaty with China five days later. Both the USSR and China provided military and economic assistance to Kim Il Sung's North Korean regime, and the USSR extended its nuclear umbrella over the North. The alliance relationship between North Korea and its giant neighbours during the Cold War was far from smooth, and was damaged by the Sino-Soviet split in the 1960's and by the excesses of China's Cultural Revolution.¹² As a result, North Korea was forced to build-up its own independent defence capabilities; evidenced by its announcement in 1962 of an equal emphasis to be placed on military preparedness and economic development, increased military expenditure, and the propounding of *juche* ideology by Kim Il Sung. But although the North's relations with the USSR and China were fraught with difficulty, the twin alliances ultimately ensured its security.

South Korea was incorporated into the US half of the bi-polar structure by the conclusion of the US-ROK Mutual Defence Treaty on 27 July 1953. The treaty provided guarantees of security to South Korea that were backed up by the physical presence of US troops in the South and close by in Japan and US-administered Okinawa, the extension of the US's strategic nuclear umbrella, and later the

pp. 121-3, 126, 128, 165, 165. Cumings and Halliday also examine the accusations that the US considered the use of chemical and biological weapons during the Korean War, pp. 128-9; 182-6.

¹²Michael J. Mazaar, *North Korea and the Bomb: A Case Study in Non-Proliferation*, London, Macmillan, 1995, pp. 23-4.

introduction of US tactical nuclear weapons into the Korean Peninsula. The US also facilitated the build-up of South Korea's own independent defence capability.

The bi-polar great power structure imposed on Korea during the Cold War meant that it continued as a source of instability in Northeast Asian security. Korea retained its potential as a military flashpoint, shown by agitation by the North against the US with the seizure of the *USS Pueblo* in January 1968, and tension along the DMZ (Demilitarised zone) with the axe-killing of US servicemen at Panmunjon in August 1976. However, at the same time, the tension generated by the bi-polar system was also capable of generating a measure of stability during this period. The major powers were reasonably content with the *status quo* on the Korean Peninsula, and were able to restrain the ambitions and hostilities of the two Koreas towards each other. The USSR refused to supply the conventional weaponry that would tip decisively the military balance of power in the North's favour, and although both the USSR and China assisted its nuclear research programme, they were not prepared to see the North acquire nuclear weapons. In 1985, the USSR pressed North Korea to join the NPT (Non-Proliferation Treaty), and in 1982 the Chinese Foreign Minister, Qian Qichen, no doubt aware of the possible security risk on China's southern border of a nuclear armed North Korea, stated that it was 'not desirable' for the North to possess nuclear weapons.¹³ Likewise, the US has armed South Korea with conventional weapons, but suppressed its nuclear ambitions. South Korea's possible initiation of a nuclear programme in the 1970's was halted by US pressure, and the South acceded to the NPT in 1974.¹⁴ During the Cold War, therefore, the two Koreas were capable of unsettling the security situation in Northeast Asia as tension ebbed and flowed on the Korean Peninsula. But the alliance systems on either side of the Cold War divide also managed to neutralise the Korean security problem and to create an effective if not entirely stable balance of power. Thus, apart from the isolated

¹³Jia Hao and Zhuang Qubing, 'China's policy towards the Korean Peninsula', *Asian Survey*, vol. 36, no. 2, December 1992, p. 1142; *Japan Times*, 4 August 1992, p. 1.

¹⁴Young Sun Ha, *Nuclear Proliferation, World Order and Korea*, Seoul, Seoul National University Press, 1983, pp. 127-130; Michael J. Mazaar, *North Korea and the Bomb*, pp. 25-8.

incidents of 1968 and 1976, North Korea felt little need to challenge stability on the Korean Peninsula in this period.

The Korean Peninsula and Japanese security during the Cold War

The role of Japan with regard to the bi-polar system and great power politics on the Korean Peninsula was necessarily limited during the Cold War. Although Japan had been the colonial power in Korea until 1945, its defeat meant that it was stripped of its possessions and influence. This exclusion from direct involvement in Korean affairs was reinforced by the Cold War divide imposed along the 38th parallel, and the ill-feeling towards Japan in both Koreas resulting from the colonial period. Japan also lost much of its physical capability to intervene in the politics of the Korean Peninsula due to its demilitarisation and Article 9 of the 1947 constitution. Events on the Korean Peninsula, though, remained crucial for Japanese security interests, and Japan was indirectly involved in Korean politics due to its growing importance within the US security system in the Pacific. The landing of US-led UN forces at Inchon in September 1950 was launched predominantly from bases in Japan, and the Korean War was influential in bringing about the 'reverse course' in SCAP's (Supreme Command Allied Powers) policy. This led to the beginnings of the remilitarisation of Japan, the formation of the National Police Reserve in 1950, and the service of elements of the Maritime Safety Force in Korean waters during the Korean War.¹⁵ As Cumings and Halliday point out, in many ways Japan was a net beneficiary of the Korean War, in that it stimulated an economic boom in the Japanese economy, and because it enabled Japan to sign a peace treaty with the UN powers.¹⁶ The San Francisco Peace Treaty was then followed by the signing of the first US-Japan Security Treaty, which further bound Japan into the US alliance system in Northeast Asia.

¹⁵John Welfield, *An Empire in Eclipse*, p. 92. Japan's Maritime Safety Force assisted US and UN forces in operations such as the sweeping of mines from Wonsan harbour.

¹⁶Bruce Cumings and Jon Halliday, *Korea: The Unknown War*, p. 203.

After the end of the Korean War, the Korean Peninsula continued to influence Japanese security policy, as its traditional strategic interests and US pressure compelled Japan to make further contributions to the US side of the bi-polar system. The US encouraged Japan to provide economic aid to South Korea in the early 1960's in order to support the US's position in Asia before intervention in Vietnam, and Japan was persuaded by the US to normalise relations with South Korea by the Basic Treaty of 1965. Japan was obliged to acknowledge the fundamental geostrategic importance of the Korean Peninsula in the Satô-Nixon communiqué of 1969 with the statement that the, 'security of the Republic of Korea is essential to Japan's own security.' Although Japan made no specific security commitments to the South, its annual defence white papers have restated the principles of the communiqué, and further evidence of the importance of Korea to Japanese security was provided by the Three Arrows incident of 1965, which revealed Japanese plans to intervene militarily in a crisis scenario believed to be Korea.¹⁷ Finally, Japan's indirect involvement in Korean Peninsula power politics is shown by the fact that the US-Japan alliance and the agreement to provide military bases for US forces underpins the entire US security system in Northeast Asia and Korea. Thus, for Japan also, and through indirect engagement in Korean Peninsula politics by its participation in the US security system, great power

¹⁷The Three Arrows Study incident, or *Mitsuya Kenkyû*, was exposed by the JSP member Okada Haruo on 10 February 1965, when he charged that the Japanese military had been planning to establish an authoritarian type of government in Japan in the event of a crisis on the Korean Peninsula, and that this plot was contained within the SDF's 1963 General Defence Plan of Operation. Okada also claimed that the Mitsuya Kenkyû contained the following points: Japan would be an integral part of the United States strategy in the Far East and serve as the base for US operations; the SDF would train jointly with US, Taiwanese, and South Korean troops; in another Korean crisis precipitated by an invasion of the South by the North in conjunction with China, the SDF would fulfill defensive assignments, including the blockade of the eastern coast of China, as well as acting as a reserve force in Japan, Korea, and Manchuria; and that during a period of emergency, the whole of Japan would be mobilised with necessary agencies to control and regulate all the services previously managed by civilian bodies. Prime Minister Satô at first denied the existence of the General Defence Plan of Operation, but later acknowledge its existence and defended it on the grounds that it was merely a theoretical study by the SDF and not a national defence plan.

For brief accounts of the Three Arrows Incident, see, *Bôinenkan 1966nenhan*, Tôkyô, Bôinenkan Kankôkai, 1966, pp. 128-30; *Asahinenkan 1966nenhan*, Tôkyô, Asahi Shimbunsha, 1966; Tsukasa Matsueda and George E. Moore, 'Japan's shifting attitudes towards the military: *mitsuya kenkyû* and the Self-Defense Forces', *Asian Survey*, vol. 7, no. 8, September 1967, p. 614.

politics can be seen as having ensured the balance of power on the Peninsula and having neutralised the Korean security problem.

To summarise the preceding overview of the nature of the Korean security problem, it can be seen that there has been a recurring pattern of international politics stretching from the Cold War period back to that of the Chinese World Order. This pattern had been produced by great power competition over regional and later global strategic interests, manifested in diplomatic, military and ideological struggles. During the Cold War these struggles reached new heights and dangers but also produced stability. A 'four plus two' equation involving the USSR, China, the US, Japan, and North and South Korea was established, which created a security system that contained the Korean problem effectively after the conflagration of the Korean War.¹⁸ The system guaranteed as far as possible under Cold War conditions the security interests of the big powers and the immediate survival of the two Koreas. As Peter Polomka notes, during the Cold War the, 'Korean Peninsula was an inert feature of the East Asian security landscape.'¹⁹

Expressed in theoretical terms it would seem that the historical pattern of relations around the Korean Peninsula, and especially during the period of the Cold War, corresponded to the security scenarios put forward by realist thinkers. The Korean Peninsula can be viewed as a classic case of high politics, diplomacy and military power. States have acted consistently in pursuit of their security interests, have used military force to achieve their ends, formed alliances, and operated a balance of power system to contain conflicts. As Hans J. Morgenthau states: 'For more than two thousand years the fate of Korea has been a function either of the predominance of one nation controlling Korea, or of a balance of power between two nations competing for that control.'²⁰

¹⁸Jia Hao and Zhuang Qubing, 'China's policy towards the Korean Peninsula', p. 1138; Weixing Hu, 'Beijing's defense strategy and the Korean Peninsula', *Journal of Northeast Asian Studies*, vol. 9, no. 3, Fall 1995, p. 53.

¹⁹Peter Polomka, *The Two Koreas: Catalyst for Conflict in East Asia?*, p. 41.

²⁰Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace, Brief Edition*, New York, McGraw Hill, 1993 [first published 1948], p. 193.

Post-Cold War politics and the North Korean nuclear crisis

In the late 1980's and early 1990's, as the Cold War drew to a close, the Korean Peninsula once again showed signs of becoming a source of regional conflict in Northeast Asia, with possible ramifications for global security due to concerns about North Korea's role as a nuclear and ballistic missile technology proliferator. Moreover, the security crises involving Korea in this period can be interpreted in many instances as having followed the same pattern as earlier disputes and of being of the same nature.

The build-up of tensions on the Korean Peninsula in this period has taken place despite, or perhaps even due to, signs in the latter stages of the Cold War of the two Koreas moving towards mutual recognition and acceptance of the importance of coexistence. The initiation of North-South dialogue from the late 1980's onwards offered the prospect of peaceful relations between the two states and progress towards reunification. The first joint North Korea-South Korea parliamentary talks began in 1985, and this was followed by the first prime ministerial-level talks in September 1990. In an important address on 7 July 1988, President Roh Tae Woo of South Korea proposed the improvement of trade ties between North and South, and in his New Year address of 1989 Kim Il Sung replied with his own proposals to create a North-South council on economic exchange. This phase of détente between the two Koreas culminated in the signing on 13 December 1991 of the Agreement on Reconciliation, Non-aggression, Exchange and Cooperation, in which both sides agreed to respect each other's political systems; to adhere to the principle of non-interference; not to slander or attack each other; to cease confrontation on the international stage; and to increase cooperation. This agreement was followed by a joint declaration on the non-nuclearisation of the Korean Peninsula on 31 December of the same year. Even though concerns had already been raised by the US and South Korea about the North's nuclear programme, the North agreed along with the South not to test, construct, produce, accept, store, deploy or use nuclear weapons, and to use

nuclear energy only for peaceful purposes. The possibilities of cooperation between the North and South were shown by the establishment of the JNCC (Joint Nuclear Control Committee) to implement the non-nuclearisation agreement.²¹

But hopes for lasting stability on the Peninsula and an end to the replication of Cold War-style confrontation in the post-Cold War era were dashed by the increasing importance attached by all sides to the issue of North Korea's nuclear programme, and the subsequent tensions this produced between the North and South Korea, and with the concerned powers of the US, China and Japan.²² Fears about the North's nuclear programme had existed as early as 1984, with the discovery by US intelligence satellites of the North Korean regime's construction at its Yongbyon nuclear plant of a second reactor believed to be capable of reprocessing plutonium suitable for nuclear weapons. In order to obstruct possible moves by North Korea to construct a nuclear bomb, the US persuaded the USSR to pressure the North into signing the NPT on 12 December 1985. North Korea, though, continued to resist IAEA (International Atomic Energy Agency) inspections which were mandatory under the NPT regime, and this led to mounting diplomatic, economic and military pressure from the US, China, Japan and South Korea throughout the late 1980's and early 1990's for North Korea to open its nuclear facilities to inspections. In May 1992, North Korea finally allowed inspections by the IAEA which found evidence of plutonium reprocessing. The IAEA demanded further special inspections with full access to two suspected sites at the North's nuclear facilities that had previously been opened to the IAEA. North Korea refused these inspections on the grounds that the IAEA was seeking access to secret military installations, and in March 1993 the inspections issue moved towards a full nuclear crisis with the North's shock decision to withdraw from the NPT. Tensions were increased further by the North's military behaviour, including

²¹Watanabe Toshio, 'Hôroku no kiki o dasshiuru ka--purorôgu', in Watanabe Toshio and Tamaki Motoi (eds.), *Kitachôsen: Hôroku ka, Sabaibaru ka?*, Tôkyô, Saimaru Shuppankai, 1995, p. 11. For full texts of these agreements see, *Korea and World Affairs: A Quarterly Review*, vol. 12, no. 3, Fall 1988, pp. 145-9.

²²For an excellent and detailed account of the events leading up to the nuclear crisis, see Michael J. Mazaar, *North Korea and the Bomb*, pp. 55-180.

the test-firing of ballistic missiles in the Sea of Japan in May 1993. Diplomatic pressure on North Korea combined with the US's agreement to engage in direct talks on the nuclear issue with the North, secured an agreement from the North in June 1993 to suspend its withdrawal from the NPT. But North Korea's continued obstruction of IAEA special inspections and IAEA attempts to ensure the continuity of existing safeguards only served to heighten tensions again, and started a period of North Korean nuclear brinkmanship. In March 1994, IAEA inspectors were allowed to return to North Korea only to discover that the North had continued with its efforts in plutonium reprocessing, and, in addition, the IAEA became concerned about the North's decision to persist with the unloading of fuel rods in the Yongbyon reactor without IAEA safeguards. Mid-1994 saw the height of the nuclear crisis, with further recalcitrance by North Korea on inspections, and moves by the US to impose sanctions on the North through the agency of the UN. Military conflict, and a repeat of the events of the Korean War seemed a real possibility as US, South Korean and North Korean forces were placed on alert. The fear on the US side was that North Korea might launch a full-scale assault across the 38th parallel, whereas the North Korean side seemed to fear a US-led preemptive strike employing the sophisticated weaponry of the Gulf War, such as the Stealth bombers and Patriot missiles deployed by the US in the South and Japan.

The height of the diplomatic and military crisis passed, however, with the visit of ex-President Jimmy Carter to North Korea in June 1994. Carter reached an agreement with Kim Il Sung that the North would allow IAEA inspectors to remain, that it would engage in presidential-level talks with the South, and that it would freeze its nuclear programme in exchange for talks with the US. The death of Kim Il Sung in July placed the future of US-North Korea talks in doubt, but after a suitable period of mourning for the 'Great Leader', talks resumed in August, and by October had produced the 'Agreed Framework'. Under this agreement North Korea confirmed that it would freeze its nuclear programme in return for US promises to create an international consortium that would supply the North with

two LWRs (light water reactor). These would replace its existing graphite reactors and are considered unsuitable for producing weapons-grade plutonium. The LWRs were estimated to cost up to US\$4 billion, and were projected to be completed by around the year 2003. Also, the US agreed to supply the North with crude oil to make up for energy shortfalls in the period until the LWRs were completed. Even more importantly for North Korea, the US promised not to use nuclear weapons against the North, and to move towards the establishment of official political and economic contacts. The Agreed Framework's provisions were then put into effect by the negotiation of the KEDO (Korean Peninsula Energy Development Organisation) Treaty which was signed in December 1995. The KEDO Treaty formed a consortium to construct the two LWRs with participation from the two Koreas, the US and Japan, and pledges of support from the EU, ASEAN (Association of Southeast Asian Nations) and Australia.

The establishment of KEDO marked the beginning of a possible final resolution to the nuclear crisis, although North Korea threatened to withdraw from the agreement in June and late 1995, and again in July 1996; firstly, over the issue of the acceptance of LWRs designed in South Korea, and, secondly, over the failure of the US to fulfill its obligations to provide crude oil. The nuclear issue still remains, then, as a potential source of conflict, but there are also other factors which could plunge the two Koreas and the other associated powers into a military conflict. The Korean Peninsula remains one of the most heavily militarised regions in the world, and each of the two Koreas still perceives the behaviour of the other as provocative and capable of sparking conflict. From the North Korean point of view, the continued hostile intent of the US and South Korea since the Agreed Framework has been proved by the need to down a US helicopter which had entered the North's airspace in December 1994, and the fact that, even though the Team Spirit exercises have remained suspended, large-scale US-South Korean naval and amphibious exercises have continued to take place. For the US and especially South Korea, North Korean aggression has been shown by a number of

incidents and provocations. North Korean guerrillas crossed the DMZ in October 1995, and in April 1996 North Korea announced it would no longer observe the ceasefire arrangements on the DMZ. Since then North Korea has violated the ceasefire by the expulsion of UN observers, the bringing of heavy weapons into the DMZ, and by the crossing over of its patrol boats into South Korean waters.

The most dramatic incident, though, came on 18 September 1996 with the discovery that a North Korean submarine had entered South Korean waters and accidentally beached itself on the South's eastern coast at Kangnung, and that a number of North Korean soldiers had escaped into the South. South Korea subsequently mobilised large sections of its armed forces to hunt down the North Koreans, and the incident led eventually to the deaths of at least twenty four North Korean soldiers. A number of explanations have been put forward by the North and the South and by independent observers to account for the submarine incident, but whatever the truth of the matter South Korea chose to regard it as a deliberate guerrilla incursion by the North, and as such a serious provocation and breach of the ceasefire arrangements.²³ The South refused to return the submarine and the

²³Twenty six men were believed to have been aboard the North Korean submarine when it beached. Eleven men were found dead by the South Korean authorities immediately upon the discovery of the submarine. These men were thought to have been the submarine's sailor crew and to have been shot dead by their own comrades; possibly commandos who felt that had a better chance of a successful escape without the encumbrance of untrained sailors. Thirteen of the remaining North Koreans were shot dead by South Korean troops and one captured. The last remaining member of the crew was unaccounted for. Thirteen South Korean troops were also killed by friendly fire in the search for the North Koreans.

The North Korean explanation for the incident was that the submarine was on a routine training mission off its own coast when it experienced engine trouble and drifted into South Korean waters. The South Korean explanation was that the submarine had been sent deliberately into its territorial waters, and that it was most likely picking up or dropping off North Korean commandos on a reconnaissance and sabotage mission in the South. Other commentators have speculated that the North, realising the strategic superiority of the South and the futility of a conventional war, was sending guerrillas into the South to foment rebellion having been encouraged by the unrest in Seoul seen with the student riots in August of the same year. Interview at Gendai Koria Research Centre, Tôkyô, 30 October 1996.

All of the above explanations, even perhaps North Korea's, contain an element of truth. North Korea has a history of sending agents and commando's to infiltrate South Korea to gather intelligence and wage guerrilla warfare. The most notable of these incidents was in 1968, when thirty one North Koreans reached the presidential Blue House in Seoul. Twenty eight of the North Koreans were killed in a gun battle with South Korean police and troops, and thirty one South Koreans were also killed. Since 1968 a number of North Korean agents have been uncovered in South Korea. The most recent incidents before that of the submarine came in October 1995. On 17 October one North Korean infiltrator was killed after crossing the DMZ, and on 24 October another agent was captured and his partner killed in Puyo, central South Korea. Therefore, the South Korean explanation of the submarine as on some kind of infiltration mission can be accepted, and given North Korea's reputation as a state willing to employ any tactic to achieve its

bodies of the dead North Koreans; demanded an apology from the North; announced that it was considering the cut-off of all aid to the North including technical aid and financing for the KEDO LWRs; and immediately began a review of its military preparedness against North Korea, with a view to increasing the mobility and efficiency of its armed forces and a resumption of Team Spirit exercises.²⁴ The US was also disturbed by the incident, fearful that it would upset the achievements of the Agreed Framework, and called initially for restraint by both sides and an apology from North Korea, and began consultations with the South over the next appropriate steps for action. Following it seems South Korean pressure for some immediate action, the US also organised a resolution by the UN Security Council on 15 October 1996 expressing 'serious concern' over the submarine intrusion; agreed to a suspension of trips of South Korean technicians to the North because of fears about their personal safety; and held large scale military exercises with the South in November 1996 to demonstrate the US-ROK alliance's resolution. In response, North Korea refused to apologise, raised the level of its warlike rhetoric against the South, demanded the return of the submarine and its crew, threatened to withdraw from the Agreed Framework, and signalled preparations for a new test of its Nodong-1 missile in October of the same year.²⁵ By late 1996, then, the submarine incident had become a cause of serious tensions

strategic ends, it is not unlikely that, even while engaged in a dialogue with the US and the Agreed Framework, North Korea would continue to send routine missions to the South to test its defences and explore its internal weaknesses. However, even if it can be accepted that the submarine was definitely on a mission to infiltrate South Korea and that the North Korean claims of its having accidentally drifted into South Korean waters can be discounted, it may be possible to accept a modified form of the North Korean 'mishap' explanation, in that it is unlikely that North Korea would have chosen deliberately to provoke South Korea, and more importantly the US, at a time when it was seeking to gain access to aid and further diplomatic contacts with the US following the Agreed Framework. Thus, the best synthesis of the various explanations on offer for the submarine incident, is that it was indeed a deliberate incursion by North Korea, but one that was routine, had no special military significance at the time, was not designed to provoke South Korea and the US, and that was seen later on by North Korea as a diplomatic blunder. That North Korea did not react more strongly to the killing of twenty four of its servicemen and eventually issued an apology of sorts to South Korea, demonstrates that, despite the diplomatic pressure from the South and the intense discomfort of having to be seen to give in to South Korean and the US demands, North Korea really had no wish around the time of the incident and by the end of 1996 to cause a diplomatic furor, and so upset its own strategy to improve relations with the US at a time when it was already facing other problems such as food shortages.

²⁴*Japan Times*, 2 October 1996, p. 1.

²⁵*Japan Times*, 17 October 1996, p. 1.

between the two Koreas; and looked to some observers to have the potential to wreck the Agreed Framework as work on the LWRs ground to a halt, and return the political situation on the Peninsula to deadlock.

However, whilst the impact of the submarine incident on relations between the two Koreas and South Korean security should not be underestimated, it is also apparent that the South Korean government facing impending presidential elections chose to take a hardline policy and to escalate the incident for domestic political purposes. The US side seems to have viewed the South's policy as something of an overreaction, and although it backed its ally by military guarantees and by demanding an apology from North Korea, the US continued to stay engaged in negotiations with North Korea and to seek a way out for North to apologise which would save face for both North and South. Even more significantly, the US, with some difficulty, restrained the South from abandoning its commitments under the KEDO treaty and displayed its determination to keep the project running.²⁶ Finally, it is interesting to note that, even while the North was haranguing the South for its killing of North Korean servicemen and giving indications of military preparations, the North took few steps to escalate tensions, and remained in negotiations with the US. The outcome of the North's and the US's comparative coolness, and strenuous US diplomatic efforts to dissuade the South from further raising tensions, was that the US managed to secure an apology of sorts from the North on 29 December 1996, when it expressed 'deep regret' to the South over the incident.²⁷ As a result of the apology, South Korea returned the remains of the twenty four dead Korean soldiers, and the way was cleared for the resumption of work on the LWRs in January 1997, for the US to consider new aid for the North, and for both countries to at last agree to the establishment of liaison offices in each other's capital.²⁸

²⁶*Japan Times*, 24 November 1996, p. 4.

²⁷*Japan Times*, 30 December 1996, p. 1.

²⁸*Japan Times*, 1 January 1997, p. 1; *Asahi Shimbun*, 10 January 1997, p. 2; *Japan Times*, 30 January 1997, p. 1.

As the submarine incident proved, then, the atmosphere of mistrust that could bring about another Cold War-style conflict still exists on the Korean Peninsula, even after the passing of the nuclear crisis of 1994. The fears of North Korea becoming involved in initiating a new conflict on the Korean Peninsula by the deliberate use of its military power, or the 'explosion' aspects of the North Korean security problem, have been added to in recent years by concerns about the 'implosion' aspects of the problem. Fears of a military clash with the North have been raised by uncertainty over the internal political and economic situation in North Korea. It is feared that the collapse, or implosion, of the North Korean regime under Kim Il Sung's son and successor Kim Jong Il could precipitate not only an economic security crisis manifested in famine and flows of refugees, but also a military reaction as the North's armed forces act independently or under the orders of the regime to try to extract by force more concessions from the US and its allies.

Therefore, the Korean security problem in the post-Cold War era can still be seen as following the traditional pattern of a diplomatic and military struggle. It is also possible to view the events of the nuclear crisis and after as being rooted in the same type of balance of power politics that has dominated Korea during the Cold War and in previous history. In the post-Cold War era, it is arguable that the nuclear crisis has been a product and repetition of earlier phases of Korean history, and consequently has been marked by the interaction of the major regional powers that have sought to protect their diplomatic, economic, military, and security interests. More specifically, it can also be argued that in the 1990's the Korean security problem is the result of the loosening of the great power bi-polar structure around the Korean Peninsula that has occurred with the ending of the Cold War. Just as the outbreak of the Korean War can in part be attributed to the onset of the Cold War in Europe, so can the Korean crisis of the 1990's be explained by changes in the political environment in Europe. The thawing of Cold War divides in other regions also occurred on the Korean Peninsula, thus producing a measure of

strategic fluidity. New strategic freedom for the two Koreas allowed them to assert their own interests, and in the process to upset the balance of power on the Korean Peninsula and to create new tensions. In this way, by the late 1980's, the Korean Peninsula had ceased to be an inert feature of Northeast Asian security and began once again to draw in the interests of the great powers.

The end of the Cold War in Europe and of US-USSR global confrontation allowed for more flexible great power politics in Asia. The Sino-Soviet split came to an end with President Mikhail Gorbachev's visit to Beijing in 1989, and his decision to reduce Soviet troop levels on the Chinese border and to scale back the USSR's naval presence in Vietnam. The reduced competition for influence in Northeast and Southeast Asia in the late 1980's and early 1990's, as a result of the diminished importance of the US-China-USSR strategic triangle, and the revision of the USSR's strategic priorities, had a major impact upon the political and security situation on the Korean Peninsula, and especially the USSR's ally North Korea. As Michael Mazaar points out, Soviet and later Russian Federation policy towards Korea underwent an abrupt change of direction.²⁹ The attraction of economic links and investment opportunities brought about improved USSR-South Korea relations. In turn, this led to a reduction in Soviet aid to North Korea, which in the past had benefited not only from the USSR-US military confrontation, but also from the Sino-Soviet split and the ability to engage in a hazardous game of trading one power off against the other.³⁰

Changes in the Cold War structure also allowed China to take a more flexible policy line towards the North. The return to power of Deng Xiaoping in 1978 and the adoption of a foreign policy with a less ideological content produced a reassessment of China-North Korea relations. The 'special relationship' with the North of the Mao Zedong-Zhou Enlai era became less central to Chinese policy, and China cut military aid from US\$44 million in 1972 to US\$23 million by 1980,

²⁹Michael J. Mazaar, *North Korea and the Bomb*, p. 55.

³⁰Seung-Ho Joo, 'Russian policy on Korean unification in the post-Cold War era', *Pacific Affairs*, vol. 69, no. 1, Spring 1996, pp. 32-9.

forcing the North in the late 1980's to look increasingly towards the USSR for military protection.³¹ Weixing Hu notes that the military aspects of China-North Korea relations were deemphasised in favour of a more economics-oriented policy towards the Korean Peninsula as a whole.³² Hence, China responded to South Korean moves to improve trade relations. In 1981 total China-South Korea trade was US\$220 million, but had risen to US\$2 billion by 1986, and US\$11.7 billion by 1994. In 1995, South Korea became China's sixth largest trading partner, and China, South Korea's third largest trading partner.

But despite China's closer relations with South Korea in this period, it is clear that it has not entirely abandoned North Korea and its traditional geopolitical interests on the Korean Peninsula. In terms of public rhetoric at least, China and North Korea are still as 'close as lips and teeth', and China has remained intent on preventing instability on its southern border with the Korea Peninsula. It has maintained its objective that no military conflict should be initiated in the Korean Peninsula by any power, including North Korea. It has remained opposed to the introduction of nuclear weapons into Korea by either the US or North Korea, and has opposed the domination of the Korean Peninsula by the hegemonic power of the US. China has also continued to reject the use of force or military power as a solution to Korean security problems, preferring dialogue, and so blocked attempts during the nuclear crisis to impose economic sanctions on North Korea. But although China has eschewed a military solution to Korean security, it has retained the military ability to intervene if its traditional interests are threatened.³³

China's policy towards the Korean Peninsula since the mid-1980's thus has combined a mix of traditional strategic and newer economic interests. China has developed what has been termed as a more 'standoffish', or 'even-handed',

³¹Michishita Narushige, 'Kōkai ni tatsu Kitachōsen gaikō', in Watanabe Toshio, *Kitachōsen: Hōraku ka, Sabaibaru ka?*, p. 243.

³²Weixing Hu, 'Beijing's defence strategy and the Korean Peninsula', pp. 55-6; Dong Sung Kim, 'China's policy toward North Korea and cooperation between South Korea and China', *The Korean Journal of International Studies*, vol. 25, no. 1, 1994, pp. 38-9.

³³Weixing Hu, 'Beijing's defence strategy and the Korean Peninsula', pp. 58, 63-4; David Shambaugh, 'Growing strong: China's challenge to Asian security', *Survival: The IISS Quarterly*, vol. 36, no. 2, Summer, 1994, pp. 43-59.

approach to the two Koreas, and has been in favour of dialogue between North and South and the other powers in the region in order to ease tensions. There has been some debate over whether or not China really favours reunification for the two Koreas, and is content with a divided Korean Peninsula as a way to continue to exclude from its traditional sphere of interest the Western and US influence that would inevitably come with a South Korean-led absorption of North Korea. China has thus been seen to assist the North Korean regime by providing economic aid sufficient to tide it over recent economic crises, but not sufficient enough to allow it to recover the strength to upset the balance of power the Korean Peninsula. China's official position and actions though suggest that at the very least it is looking for a peaceful solution to any North Korean security problem, and that it supports the laying of the groundwork for reunification.³⁴ Consequently, China assented to the joint entry of North and South Korea into the UN in September 1991, helped to promote dialogue between North Korea and Japan in the early 1990's, agreed in July 1996 to participate in the US's proposals for joint four-way peace talks between the US, South Korea, China and North Korea, and has worked hard since February 1997 to defuse North-South tensions over the North Korean defector, defection of Hwang Jan Yop.

South Korean 'Nordpolitik' and policy towards North Korea during and in the aftermath of the nuclear crisis

The reductions in balance of power confrontation, shifts in power, and the more flexible attitudes shown by the great powers since the end of the Cold War have allowed South Korea a greater measure of strategic freedom to assert its own perceived national interests through participation in balance of power politics. The improvement in South Korea's economic and military position meant that by the late 1980's it was well placed to exploit to its own advantage the loosening of Cold

³⁴Banning Garrett and Bonnie Glasser, 'Looking across the Yalu: Chinese assessments of North Korea', *Asian Survey*, vol. 35, no. 6, June 1995, pp. 538-9; Dong Sung Kim, 'China's policy toward North Korea', pp. 41-3.

War divides and to begin to engage the regional powers in a form of alliance politics. In the late 1960's and 1970's, the South Korean economy was seen to forge ahead of that of North Korea, and by the 1990's it had established overwhelming superiority in all traditional indications of power.³⁵ By 1991 South Korea's GNP was US\$280 billion, compared to an estimated US\$23 billion for North Korea. Moreover, the South's economy was growing at the rate of 8 per cent a year, whereas the North was beginning to contract at an average of 5 per cent. The military balance had also swung in the South's favour by the mid-1980's. In terms of expenditure, North Korea in 1991 was spending up to 22 per cent of its GNP on the armed forces, compared to 4 per cent for the South. But despite the North's concentration of resources in this area, South Korea with a total military expenditure of US\$10 billion still outstripped comfortably the North's total of US\$5 billion.³⁶ North Korea continued to maintain a quantitative military advantage over the South in numbers of personnel and frontline battle equipment. However, many analysts noted that by the late 1980's the North's superiority in this regard was being increasingly cancelled out by the South's qualitative advantage in military equipment due to its access to sophisticated weaponry from the US and support from the US alliance.³⁷ The general awareness of outside commentators, South Korean, and probably even North Korean policy-makers in

³⁵Komaki Teruo, 'Current status and prospects of the North Korean economy', in Okonogi Masao (ed.), *North Korea at the Crossroads*, Tôkyô, Japan Institute of International Affairs, 1988, p. 45.

³⁶Watanabe Toshio, 'Hôroku no kiki', p. 17.

³⁷For detailed discussions on the balance of military power on the Korean Peninsula in this period, see Robert Sennewald, 'The military balance on the Korean Peninsula', in Sung-joo Han (ed.), *US-Korea Security Cooperation: Retrospects and Prospects*, Seoul, Asiatic Research Center, Korean University, 1983, pp. 105-13; Yong Choi, 'The North Korean military build-up and its impact on North Korean military strategy', *Asian Survey*, vol. 35, no. 3, March 1985, pp. 341-353; Edward Olsen, 'The arms race on the Korean Peninsula', *Asian Survey*, vol. 26, no. 8, August 1986, pp. 851-867; Takesada Hideshi, 'Kitachôsen no gunji dôkô', in Okonogi Masao (ed.), *Kiro ni Tatsu Kitachôsen*, Tôkyô, Nihon Kokusai Mondai Kenkyûjo, 1988, pp. 75-98; Young Sun Ha, 'The Korean military balance: myth and reality', in William J. Taylor, Young Koo Cha, John Q. Blodgett and Michael J. Mazaar (eds.), *The Future of South Korean-US Security Relations*, Boulder, Colorado: Westview Press, 1989, pp. 89-102; Nicholas Eberstadt and Judith Banister, 'Military build-up in the DPRK', *Asian Survey*, vol. 31, no. 11, November 1991, pp. 1095-1195; William T. Tow, 'The military dimensions of the Korean confrontation', in Sheldon W. Simon (ed.), *East Asian Security in the Post-Cold War Era*, pp. 59-88; and Okamoto Shunji, 'Kankoku gunji yûsei wa yurugazu: Chôsen Hantô no saishin gunji jôsei', *AERA*, no. 44, Special Edition, October 1996, pp. 43-7.

this period was that the military and economic power balance had swung decisively in the South's favour.

The South began to build upon these power advantages and to assert its strategic position over the North through a series of diplomatic manoeuvres beginning in the late 1980's. The South's diplomatic strategy was based upon simultaneous efforts to improve relations with the North--as seen by the Agreement on Reconciliation, Nonaggression, Exchange and Cooperation of 1991--and to work towards the normalisation of relations with the socialist states of Europe, and then eventually the major socialist states of the USSR and China. The aim of this strategy was both to open a channel of negotiation with North Korea, whilst at the same time undercutting the North's international position, so encouraging it further to talk directly with the government in the South. From the South's perspective, the strategy proved to be a success as relations were established with Hungary and Poland in 1989, Czechoslovakia and Bulgaria in 1990, and with the USSR and China in September 1990 and August 1992 respectively.³⁸ South Korea's *nordpolitik* or 'Northern Policy' took advantage adeptly of the changed international environment and managed to reorient the balance of power around the Korean Peninsula. In a series of classic diplomatic coups the North had established economic, diplomatic and military superiority over North Korea, and increased the North's isolation from its former Cold-War allies the USSR and China, so leaving it naked strategically. South Korea's *nordpolitik* removed one side of the relatively stable balance of power equation in Korea. The two-plus-four arrangement of the Cold War in which the two Koreas had been able to look for backing from the USSR and China on one side, and the US and Japan on the other, had been replaced with one that now had moved all these external powers closer to South Korea. This top-heavy equation and distorted power balance can then have been expected to provoke a North Korea counter-reaction, which was designed to restore something akin to the balance of power politics that had safeguarded its security in

³⁸Edward A. Olsen, 'The diplomatic dimensions of the Korean confrontation', pp. 103-7.

the past, and which was to be manifested in diplomatic and military tensions provoked by North Korea between itself and the major powers.

North Korean diplomatic and nuclear strategy

South Korea's diplomatic triumphs forced the North to find a strategy in the late 1980's to restore its strategic position. The North was in effect abandoned economically, politically and militarily by its chief ally, the Soviet Union. As USSR-South Korea relations improved, the USSR cuts its aid to the North, and in November 1990, USSR-North Korea trade moved to a hard currency exchange basis. The collapse of the Soviet Union in November 1991 compounded the North's difficulties. Russia as the successor state to the USSR in Northeast Asia was both unwilling and unable to exert influence in Northeast Asia on behalf of the North in its strategic struggle with the South.³⁹ The growth of friendly relations between China and South Korea discredited China as a reliable ally in North Korean eyes, and these suspicions were confirmed by the normalisation of Chinese ties with the South in 1991, and the decision of China in January 1992 to also move to hard currency conditions in trade. North Korea had little choice but to maintain ties with its powerful socialist northern neighbours, and it has continued to receive some security benefits because of China's reluctance to see the North coerced by other powers in the region. But as China-North Korea relations became more distant in the 1980's, North Korea began to search for new allies to enable it break out of its isolation and strategic weakness, to counter South Korean pressure, to establish a new balance of power, and ultimately to ensure its own survival. The strategy that the North adopted to restore the diplomatic, military, but most importantly of all economic balance of power against the South has been to gain access to those powers traditionally on the South's side in the two-plus-four equation, namely: the US and Japan. This has involved North Korean attempts to muster all the diplomatic and military pressure it can in order to detach the US and

³⁹Seung-Ho Joo, 'Russian policy on Korean unification', p. 38.

Japan from the South's side, and to disrupt and reorient to the North's advantage the US security system in the region. In pursuing this strategy, North Korea has lacked the power resources of the South, but what diplomatic and military power the North does possess has been boosted by the same strategic fluidity that the South utilised for its own advantage.

In the early stages of the North Korean security crisis of the post-Cold War period, North Korea's balance of power and survival strategy has centred on the US and Japan. North Korea-Japan relations have been at an impasse since the end of World War II. The two states were divided by the legacy of colonialism and failed to establish normal diplomatic relations after World War II. Towards the end of the Cold War in the late 1980's, prospects for improved relations seemed poor, with an ongoing dispute between North Korea and Japan over the fate of two crewmen of the fishing vessel *Fujisanmaru*, held in the North on spying charges since 1983. In addition, North Korea's suspected involvement in the bombing of a South Korean airliner in 1988 led Japan to impose limited economic sanctions on the North. However, Japan was a prime target for North Korea diplomatic initiatives due to the promise of economic links and the chance to disturb Japan's delicate links with South Korea. North Korea responded to Japanese initiatives to improve relations by the release of the *Fujisanmaru* crew in October 1990, and showed enthusiasm for talks with Japan on normalisation in the same year. Talks on normalisation were subsequently held in eight rounds between January 1991 and November 1992. Despite the eventual failure of these talks over the issue of nuclear inspections, North Korea did achieve some successes in this part of its diplomatic campaign against the South, appearing initially to draw Japan closer to the North, and causing concern in the South that Japan would push ahead with normalisation before the initiation of North-South dialogue. The fear of South Korean policy-makers was that the North's diplomatic ploy would erase the South's diplomatic advantage, release the North from the isolated position that the South had so carefully constructed, and allow the North to bypass recognition of,

and talks with, the South *en route* to improved relations with the South's allies, the US and Japan. The concerns of South Korea about North Korea's attempts to trade off Japan against the South were shown by the insistence of Roh Tae Woo to Prime Minister Kaifu Toshiki in January 1991 that Japan should only push ahead with normalisation talks with North Korea in conjunction with an improvement in North-South relations; a demand that was later to become a *de facto* condition of all Japan-North Korea normalisation attempts.

The second and most important target of North Korean strategy was to attack the US-South Korean security alliance, to sabotage the basis of the South's security, and, in turn, to remove the platform which had supported the South's attempts to isolate and pressure the North. In order to prise apart the alliance, the North chose to use conventional and later nuclear military threats and brinkmanship to undermine the mutual trust of South Korea and the US in each other, and to force political and economic concessions for the North.

In its military challenge to the US-South Korean security alliance, North Korea has employed bellicose rhetoric, such as its famous taunt in 1994 to turn Seoul into a 'sea of fire', and these threats have been backed up by military power, which, whilst not necessarily enough to secure an outright victory, is judged to be sufficient to inflict devastating damage on South Korean and US forces and to provoke an all-out war. As has been seen, by the 1980's the conventional military balance was believed to have tilted towards the South, but, as Table 12 illustrates, in 1995 North Korea still disposed formidable military power. In 1994, at the height of the nuclear crisis, military simulations suggested that a massive North Korean offensive across the DMZ could overrun much of the South within a two week period, and that after the arrival of reinforcements the US and South Korea would be forced to fight a protracted war to recover their losses similar to the Korean War in 1950.⁴⁰ Any military conflict with North Korea was also likely to

⁴⁰John M. Collins, *Korean Crisis 1994: Military Geography, Military Balance, Military Options*, CRS Report for Congress, 11 April 1994, Washington DC, Congressional Research Service, The Library of Congress, 1994, pp. 12-14; *Time International*, 4 April 1994, pp. 18-21. For an analysis of North Korea's military doctrine and strategy: Chung Min Lee, *The Emerging Strategic*

be complicated for South Korea and the US by the North's employment of guerrilla forces, the potential effectiveness of which was later to be demonstrated by the submarine incident of September 1996. North Korea would be unlikely to triumph in a conflict over the long term, but the effect of its attack on the Korean Peninsula would have catastrophic effects, and probably create devastation as severe as that of the Korean War.

Table 12: The military balance on the Korean Peninsula 1996-97

Military item	North Korea	South Korea	US
Total armed forces	1,054,000	660,000	36,000
Army troops	923,000	548,000	—
Main battle tanks	3,400	2,050	100
Armoured personnel carriers	2,200	2,460	100
Towed artillery	3,500	3,500	—
Self-propelled artillery	4,500	1,00	—
Multiple rocket launchers	2,200	156	—
Air defence guns	7,800	600	—
Surface-to-air missiles	10,000	1,020	—
Combat aircraft	661	461	—
Armed helicopters	50	—	—
Submarines	25	4	—

Source: International Institute for Strategic Studies, *The Military Balance 1996-97*, Oxford, Oxford University Press, 1996, pp. 186-88.

North Korea is able to back its conventional forces with the threat from weapons of mass destruction. Chemical weapons production started in North Korea with the assistance of the USSR in the 1960's, and by the 1980's the North was able to manufacture offensive chemical weapons such as sarin. North Korea was able also to assist other countries like Syria, with the production of chemical weapons for mounting on Scud-B and C ballistic missiles. North Korea is believed to have the capacity to produce 4,500 tons of chemical weapons a year, and in 1989 it was estimated that North Korea possessed the world's third largest stockpile of chemical weapons.⁴¹

Balance in Northeast Asia: Implications for Korea's Defense Strategy and Planning for the 1990's, Seoul, Research Center for Peace and Unification, 1989, pp. 149-185.

⁴¹Michael Ertman, 'North Korean arms capabilities and implications: nuclear, chemical and ballistic missiles', *Korea and World Affairs*, vol. 17, no. 4, Winter 1993, pp. 614-5; *Japan Times*, 14 January 1989, p. 6.

North Korea is also known to be engaged in a large programme to manufacture ballistic missiles, and to be one of the states responsible for the proliferation of missile technology, and thus a transgressor of the MTCR (Missile Technology Control Regime). The North Korean programme was initiated in the late 1970's and early 1980's, based on the reverse engineering of Scud missiles systems obtained from the USSR, and with Egyptian and then Iranian cooperation. In 1987, North Korea agreed to produce 90-100 Scud-B missiles for Iran and to construct a missile plant, and in the same year North Korea produced an operational model of the 320 to 340 kilometre range Scud-B. These were manufactured at its plant near Pyongyang, with an estimated capacity of 88-110 Scud-B's a year. The North produced a new missile in 1991--the 520 to 780 kilometre range Scud-PIP, capable of striking all of South Korea and parts of Japan. On 29 May 1993, North Korea test-fired its Scud-C/Nodong-1 missile, with a range of 1,000 kilometres, and so allowing it to strike most of Japan and deep into China. North Korea is also believed to be developing a Nodong-2 with a range of 1,000 kilometres, and a Nodong-3 missile with a range of 1,500 kilometres.⁴² All these North Korean missiles are able to carry conventional high-explosive, biological and chemical warheads, and according to CIA (Central Intelligence Agency) reports, the Nodong-2 and 3 may be capable of delivering nuclear warheads.⁴³ Therefore, in its ballistic missile programme, North Korea has acquired effective, if crude, weapons for power projection in the region which cannot be easily defended against.

It is the nuclear programme, though, which has been used by North Korea as its main tool of diplomatic and military pressure in the strategic struggle against South Korea and to undermine the US security system in Northeast Asia. A brief account of the North's strategy during the nuclear crisis will make clear that the threat of proliferation has been used to divide the US and Japan from South Korea, and to secure diplomatic and economic concessions from the US.

⁴²Michael Ertman, 'North Korean arms capabilities and implications', pp. 615-20.

⁴³Michael Ertman, 'North Korean arms capabilities and implications', p. 620.

It is important to note that during the nuclear crisis of the early 1990's, it was never proved beyond doubt by the outside community that North Korea was engaged in the manufacture of nuclear weapons. Despite the various intelligence estimates which suggested that the North was indeed engaged in a bomb programme, proof of the programme itself was limited to inferences derived from the knowledge that North Korea seemed to have acquired some of the necessary facilities to produce a bomb, that it had reprocessed unknown quantities of plutonium, and that it had avoided inspections. However, North Korea has never declared openly a nuclear weapons programme, and instead has chosen deliberately to play upon and deepen international suspicions that it may have been engaged in one. This has served to further the external perception of North Korea as a nuclear proliferator and as a threat to regional security. The importance that North Korea attaches to the nuclear issue is explainable because it forms the most effective tool in the North's diplomatic and military arsenal, and a vital tool for regime survival.

A number of motives--none of which are exclusionary--would seem to explain North Korea's strategy in the use of its 'nuclear card'. It is quite conceivable that the North Korean regime has viewed the acquisition, or at least its perceived acquisition by the outside world, of a nuclear bomb as a useful form of security insurance which has a deterrent value and could restore the military balance on the Korean Peninsula. North Korea has long been exposed to US nuclear threats; President Harry Truman intimated the use of nuclear weapons against the North in the later stages of the Korean War, and it was the US which first introduced strategic and tactical nuclear weapons onto the Korea Peninsula. Moreover, the North was aware of efforts by the South to produce nuclear weapons in the 1970's, and the significance for the North of its own nuclear weapons as a cheap 'equaliser' in the military struggle with the South cannot have been overlooked. Further impetus for a North Korean bomb would have been provided by the effective withdrawal of the USSR's nuclear umbrella after the normalisation of relations with the South in 1990. At the time, North Korea officials are reported to have warned

USSR Foreign Minister Andrei Shevernadze that USSR-South Korea normalisation would leave for the North, 'no other choice but to take measures to provide for ourselves weapons for which we have so far relied on the alliance'--a clear reference to North Korea's perceived need to acquire some sort of nuclear deterrent of its own after the loss of guarantees of security from the USSR.⁴⁴

The nuclear programme may have been exploited for reasons of external defence, but it is also the case that North Korea probably had a powerful motive of internal regime legitimisation for pursuing the nuclear strategy. As James Cotton has pointed out, North Korea may have used the nuclear issue to engineer a crisis with South Korea and the US in order to be able to portray the US and its allies as aggressors, and thus use the external threat as a means of renewing the legitimacy of the regime internally.⁴⁵

Deterrence and regime legitimisation are both plausible explanations for North Korean actions, and apply whether or not North Korea actually intended to acquire nuclear weapons or not. Complementing these explanations, an even more important motive for engaging in the game of nuclear bluff is the use of the threat of nuclear proliferation to exert pressure on the US-South Korea security relationship, and to use the issue to divide the two countries, to undermine the South's strategic position, and to gain concessions from the US. The ultimate aim in gaining diplomatic, military and economic concessions seems to have been to restore strategic balance on the Korean Peninsula, either by detaching the US from the alliance with South Korea, or, if possible, by drawing the US closer to North Korea's side.

This interpretation of North Korean strategy can be derived from North Korean behaviour during the crisis and the types of concessions it managed to achieve. During the nuclear crisis, North Korea continued to stress that the nuclear issue was one between itself and the US, and the whole thrust of its diplomatic strategy

⁴⁴Michael J. Mazaar, *North Korea and the Bomb*, pp. 55-6; Andrew Mack, 'North Korea and the bomb', *Foreign Policy*, no. 83, Summer 1991, p. 88.

⁴⁵James Cotton, 'North Korea's nuclear ambitions', in *Asia's International Role in the Post-Cold War Era I*, London, Brassey's, 1992, pp. 94-106.

was to avoid dialogue with the South in favour of direct talks with the US. At the beginning of the nuclear crisis, North Korea reiterated its demands for the withdrawal of US nuclear weapons from the Korean Peninsula, stating that, 'It is obvious to everyone that North and South cannot fundamentally resolve the question of peace by setting aside the United States which is partly responsible for the aggravation of tensions.'⁴⁶ The overriding aim of North Korea seems to have been to weaken the South's position indirectly by an assault on the US's nuclear strategy, and by implication the US's whole military position and alliance system on and around the Korean Peninsula and Northeast Asia. Yamazaki Takeo argued in 1994 with regard to the nuclear crisis that: 'The most important aim of the North has been to force the withdrawal of the US forces from the Korean Peninsula, and the most effective means of realising this is the acquirement of nuclear weapons.'⁴⁷ If North Korea cannot secure this primary aim, then it at least looks likely to be content with the secondary and intermediate aim of establishing closer diplomatic contacts, or even the normalisation of relations, with the US to further erode South Korean confidence in the US-ROK alliance, and to bolster the North's own diplomatic position.

The extent of North Korean success in the strategy of attacking the US security system and disrupting the balance of power will be examined in a later section. But a brief overview here of the outcome of the nuclear crisis would suggest that certainly over the short term the North has been remarkably successful. North Korea contributed to the creation of a situation whereby the US felt that it would be beneficial to South Korea's security for it to withdraw tactical nuclear weapons in late 1990, and by January 1991, North Korea was involved in direct talks with the US over the nuclear issue. Brinkmanship in the nuclear crisis brought North Korea the visit of an ex-president of the United States (probably perceived as a boost to the isolated regime's prestige, regardless of Jimmy Carter's international

⁴⁶*Japan Times*, 17 January 1989, p. 1.

⁴⁷Yamazaki Takeo, 'Kitachōsen no kakubusō, shin no nerai wa nanika', *Jiyū*, May 1994, p. 127 (Author's translation).

reputation), and further negotiations with the superpower over the Agreed Framework. The outcome of the negotiations was that North Korea was promised up to US\$4 billion in nuclear assistance and oil supplies, and new diplomatic and economic contacts with the US; all secured by only a minor commitment on the North's part to resume dialogue with the South.⁴⁸ In addition, while North Korea has remained wary of becoming too close to the US, since the Agreed Framework it has reserved its harshest rhetoric for South Korea only, and has advanced relations with the US not only via the KEDO process, but also by agreements to return the bodies of dead GIs from the Korean War.

It is arguable that over the longer term North Korea's victories may prove to be Pyrrhic, as the concessions that it received from the US serve only to undermine the regime's freedom to pursue its diplomatic strategy due to its becoming more dependent on the US. In many ways the Agreed Framework and the KEDO project appear to the North Korean regime as a 'Trojan Horse' allowing the entry of South Korean and US influence into the North. Furthermore, the game of nuclear bluff extracted economic assistance from the US, but it may have also cost the North valuable time in its efforts to revive its economy. These issues will be explored later, but here the important point is that during the nuclear crisis of the late 1980's and early 1990's, and in a similar fashion to other conflicts surrounding the Korean Peninsula in the past, North Korea has participated in a form of diplomatic and military *realpolitik* in order to try to restore balance on the Korean Peninsula and to protect its own security. Diplomatic approaches to Japan in the early 1990's were one manifestation of this strategy; the other was the use of the nuclear card to agitate against the US security system. North Korea was able to follow this strategy due to the relaxation of great power conflict following the end of the Cold War, and it had now escaped the traditional restraints on its behaviour. As the outgoing commander of US forces in South Korea, General Robert Riscassi, stated at a

⁴⁸For an account of the July 1994 negotiations in details, see Shigemura Toshimitsu, 'Kitachōsen no kakugiwaku, Beichō kōshō no uchimaku: Beichō seijōka ga yūsen', *Ajia Jihō*, no. 209, July 1994, pp. 32-62.

Congressional hearing in April 1993, 'we must disabuse ourselves of the confidence we gained during the Cold War that Korea was manageable....North Korea is no longer manageable.'⁴⁹

The US and South Korean diplomatic-military response

The response of the US and South Korea to North Korean strategy and the nuclear crisis often lacked unity and created tensions between the two allies. In the initial stages of the nuclear crisis policy objectives were often unclear and the US and South Korea were doubtful as to whether the aim should merely be to contain further North Korean proliferation or to completely roll-back the North Korean nuclear programme. Policy was complicated by domestic political tensions, with the governments of both countries subject to criticism from opposition parties seeking a more hard line approach towards North Korea.⁵⁰ Indeed, these domestic policy divisions were one of the reasons that North Korea was able to exploit the nuclear issue skillfully. But it is clear that especially in the initial stages of the crisis both the US and South Korea recognised the North Korean challenge to the security balance in the region and that this called for a diplomatic and even a military response from the allies. Overtime the US and South Korea were able to develop a 'carrot' and 'stick' approach to the North Korean problem. At the beginning of the nuclear crisis, though, the 'stick' approach looked more likely to be employed to counter the North's military posturing.

Hence, the US as part of its response to the nuclear crisis and other security threats from the North has been careful to reaffirm its military guarantees of security to the South. President George Bush and his successor Bill Clinton pledged a continuation of the US military presence in South Korea during their visits in January 1992 and July 1993. On the occasion of his visit to the DMZ in July 1993, Clinton used tough rhetoric towards the North Korean regime, stating

⁴⁹*Korea and World Affairs: A Quarterly Review*, vol. 17, no. 2., Summer 1993, p. 364.

⁵⁰Sang Hoon Park, 'North Korea and the challenge to the US-South Korean alliance', *Survival: The IISS Quarterly*, vol. 36, no. 2, Summer 1994, p. 88.

that if it ever developed and used a nuclear weapon it would spell the end of their country. The US supported this rhetoric with a degree of military pressure on the North. The massive biannual US-South Korean Team Spirit military exercises were used as a bargaining tool by the US and South Korea, as they linked the holding of the exercises and the pressuring of the North militarily to its progress on nuclear inspections. In mid-1994, as a military conflict looked increasingly possible, the US reinforced its presence in the South by the deployment of Patriot missiles designed to counter the Nodong threat, and by the movement of a carrier battle group closer to the Korean Peninsula. Even since the Agreed Framework of October 1994 and the defusing of the immediate crisis over the nuclear issue, the US and South Korea have continued to emphasise the military aspects of the North Korean threat; joint US-South Korea naval exercises have been held, and the US has tried to deal with the North Korean missile threat by talks in Berlin since April 1996 on the non-proliferation of missile technology.⁵¹ The submarine incident of September 1996 also forced the US to act to reassure its ally by agreeing to the holding of large scale naval and amphibious exercises in the South in November 1996.

But despite the often overt military challenge of North Korea, US and South Korean options for dealing with it on a military basis in anything other than an immediate conflict situation have been limited. Some commentators have argued for Gulf War-type airstrikes on North Korean nuclear sites in order to bring a quick end to the crisis.⁵² However, not only has the feasibility of attacks against well-defended nuclear facilities been questioned, but so has also the wisdom of launching attacks that would probably provoke an all-out war with the North, the devastating consequences of which have already been discussed. The result of these difficulties has been that while the US and South Korea have continued to plan for a worst-case scenario of war and to augment their military power, the

⁵¹*Japan Times*, 22 April 1996, p. 1.

⁵²Leonard Spector, 'Dealing with North Korea: speak softly and carry a bigger stick', in Stuart A. Johnson and William L. Lewis (eds.), *Weapons of Mass Destruction: New Perspectives on Counter Proliferation*, Washington DC, National Defense University Press, 1995, pp. 113-19.

search for a resolution to the crisis has remained with diplomatic and economic approaches.

To counter North Korean diplomatic manoeuvres, during the nuclear crisis and after the US has embarked on its own diplomatic offensive in conjunction with its allies South Korea and Japan, and has also occasionally enlisted the support of China. Between 1993 and 1994, the US attempted to involve China in a resolution to the nuclear crisis by seeking its cooperation on the imposition of economic sanctions on North Korea and to use its remaining influence to dissuade the North from persisting with its nuclear programme. In addition, following the passing of the peak of the nuclear crisis, by April 1996 the US and South Korea were pressing for China's participation in four-way peace talks between the US and South Korea on one side and China and North Korea on the other. However, both China's and North Korea's response to the four-way peace talks remains unclear. North Korea seems to fear that the talks proposal is a ploy by South Korea to again try to outmanoeuvre it in the struggle for diplomatic supremacy after the North's successes in the nuclear crisis. The likely suspicion of the North Korea side is that the proposal is essentially a South Korea one, backed reluctantly by the US, and one which is designed to ensure that the North is pressured into talking directly with the South instead of with the US--the very antithesis of the North's strategy since the early 1990's. Reluctant to be seen to wreck a peace initiative, North Korea's response until early 1997 was that it was 'studying' the proposal. But in February 1997 North Korea announced officially that it would attend preliminary briefings on the talks in March of the same year. North Korea probably made this decision in order to blunt any South Korean propaganda advantage, and after attending the briefings may then withdraw, or counter with its own diplomatic initiative. China's position is equally unclear. It too is reluctant to be left out of any proposals for talks or to be seen as an obstacle to talks, and thus has given some cautious backing to the proposal. But China also seems wary like North Korea of being rushed into any peace initiative which is dictated by South Korea and the US,

and which does not take account of China's strategic interests and traditional sphere of influence on the Korean Peninsula.

Therefore, the US and South Korea have responded in kind to the diplomatic and military threats of North Korea. But as already explained, during the nuclear crisis and beyond, the North's diplomatic and military strategy has been linked to a wider one concerned with disrupting the US-South Korean alliance and the US security system in Northeast Asia. In this regard, North Korean strategy appears to have been highly successful in creating a form of political security threat that has posed genuine problems for the US-South Korean relationship. When trying to deal with the nuclear crisis the US has had a difficult negotiating position, with a limited diplomatic, military, political and economic hold over a state such as North Korea prepared to undergo considerable hardships in its desperate campaign for survival. The determined North Korean stand and initial confusion among US policy-makers over objectives have combined to hamper US policy and to damage the US's image of implacability in dealing with its North Korean opponent. The result of these perceived weaknesses has been to contribute to tensions in the US-South Korean alliance. South Korean opposition parties and government officials, including even President Kim Young Sam, have expressed publicly the fear that the US has allowed the South to be sidelined in negotiations with the North, and that the US has gone too far in making concessions. The greatest anxiety of members of the South Korean policy-making community has been that the US may move towards normalisation and peace talks with the North before North-South dialogue has been resumed. The US has reassured the South by stating repeatedly that it will not negotiate directly with North Korea on a peace agreement. It has also assuaged fears about the withdrawal of US forces from South Korea and Northeast Asia by the announcement of the Nye Initiative in February 1995, which stated that for the foreseeable future the US would keep at least 100,000 troops in the region.⁵³

⁵³Department of Defense, *United States Security Strategy for the East Asia-Pacific Region*, Washington DC, Office of International Security Affairs, 1995, p. 23. For an examination of possible scenarios for US-South Korean security cooperation to adapt new challenges in the 1990's

Problems in the US-South Korea alliance should not be exaggerated, but it is apparent that North Korea has managed to mount a political security challenge that exposed weaknesses in the alliance not seen since the decision of the Carter administration in early 1977 (later suspended July 1979) to withdraw US ground troops from South Korea.

To summarise the response of the US and South Korea to the North Korean strategy, the North Korean security threat comprises a traditional military-diplomatic challenge to the security balance on the Korean Peninsula which has then engendered a political challenge to the US security system in the region. Thus, as with South Korea's *nordpolitik* which helped to disrupt on the North Korean side the already weakening balance of power around the Korean Peninsula, so North Korea's strategy has also threatened to interfere with the balance of power on the South Korean side by weakening the US-South Korean alliance. The effect of this has been that the US and South Korea have been forced to respond, especially during the nuclear crisis, to North Korea's threat in part with diplomatic and military power.

JAPAN'S DIPLOMATIC AND MILITARY POLICY TOWARDS NORTH KOREA PRIOR TO AND DURING THE NUCLEAR CRISIS

Japan-North Korea normalisation

The other major regional power concerned with events on the Korean Peninsula is Japan, and it also has been faced with a series of diplomatic, military and political security threats from North Korea. During the Cold War Japanese influence on the Korean Peninsula was limited in comparison to the other big powers, but for some commentators it is possible to interpret Japanese actions during the period of greater fluidity brought about by the end of the Cold War as demonstrating Japan's reversion to a balance of power style politics towards the Korean Peninsula.

and beyond, see Jonathan D. Pollack and Young Koo Cha, *A New Alliance for the Next Century: The Future of US-Korean Security Cooperation*, Santa Monica, California: RAND, 1995.

As already seen, the strategic freedom brought about at the end of the Cold War produced South Korea's *nordpolitik*, and a reaction by North Korea which targeted the US and Japan as new diplomatic counters to the South's growing strength. The Japanese response to rising South Korean power and North Korea approaches has been viewed as an attempt by Japanese policy-makers to restore a balance of power on the Korean Peninsula conducive to Japanese security interests. This attempt is seen to have been led by the LDP, aided and abetted by a well-intentioned, but unknowing, JSP (later SDP). The moves to improve North Korea relations have been described briefly in an earlier section, but it is worth looking in more detail at the chronology and significance of events during the normalisation process.

The start of public moves from the Japanese side for improved relations with North Korea began with the visit of the then Secretary General of the JSP, Doi Takako, to North Korea in September 1987, ostensibly for talks on the release of the crew of the *Fujisanmaru*.⁵⁴ The suspected bombing by North Korea of a South Korea airliner on 29 November 1988 put a halt to improved relations as Japan imposed limited sanctions between 28 January and 16 September 1988. In January 1989, the process of improving relations got underway again with a JSP policy paper calling for more balanced ties between Japan and North and South Korea. This proposal was intended to pave the way for the visit of a delegation from North Korea's KWP (Korean Workers' Party) to the JSP party convention on 24 January of the same year. On 26 January members of the KWP met with the LDP's Itô Masayoshi, initiating a non-official party-to-party route for dialogue between the North Korean and Japanese governments. This meeting was followed on 30 March

⁵⁴The *Fujisanmaru* incident occurred on 3 November 1983, when the crew of the Japanese fishing vessel *Fujisanmaru 18* were detained in North Korea on suspicion of having aided a North Korean soldier in an attempt to defect to Japan. Three of the five-man crew were released, but the captain and one other crew member were convicted in North Korea of spying and sentenced to 15 years correctional hard labour. Despite appeals for their release by individual Japanese politicians, and the Japanese MOFA holding secret negotiations to free them, the crew remained incarcerated in North Korea until Kanemaru negotiated their release on his trip to North Korea in September 1990. The *Fujisanmaru* crew were finally able to return home to Japan with Ozawa Ichirô in October 1990. A detailed account of the *Fujisanmaru* incident and the experiences of the crewmen in North Korea is provided in: Nishimura Hideki, 'Kitachôsen no keimusho kara modotta', *Chûô Kôron*, December 1996, pp. 158-75.

by the apology in the Diet by Prime Minister Takeshita Noboru to North Korea for wartime damage committed by Japan, and then by the visit of JSP former Secretary General, Tanabe Makoto, to North Korea in the same month carrying a letter from ex-LDP Secretary General, Kanemaru Shin to Kim Il Sung. On 4 April Japanese Foreign Minister, Uno Sôsuke, appealed to North Korea for direct talks, and on 11 April, Kanemaru indicated his willingness to visit North Korea for talks. In June, Kuno Chûji, head of the Dietmen's League for the Promotion of Japan-North Korea Friendship (*Nicchô Yûkô Giin Renmei*), visited North Korea with a letter from the Chief Cabinet Secretary asking for improved ties. In September and December, JSP delegations paid visits to North Korea.⁵⁵

On 26 May of the following year, Foreign Minister Uno indicated that Japan was willing to offer economic assistance to North Korea after the normalisation of relations. In June, the new Foreign Minister, Nakayama Tarô, sent a letter to North Korea via the Chinese government asking again for direct talks, and in July the LDP sent a delegation to North Korea with a letter from Prime Minister Kaifu inviting a North Korean delegation to Japan. On 4 September a team of Diet members led by Ishii Hajime and Takemura Masayoshi visited North Korea to prepare the ground for Kanemaru's visit, and on 26 September Kanemaru, accompanied by Tanabe of the JSP, travelled to North Korea carrying a letter to Kim Il Sung from Kaifu, written in his capacity as LDP leader, not as Prime Minister. Kanemaru's visit to North Korea produced a breakthrough in North Korea-Japan relations with the signing of a Three Party Joint Declaration on 28 September between the LDP, the JSP, and the KWP. The Three Party Joint Declaration contained agreements that Japan should not only apologise and provide appropriate compensation for the thirty six years of its colonial rule, but also, most controversially, that it should provide compensation for the 'losses' incurred during

⁵⁵The Dietmen's League for the Promotion of Japan-North Korea Friendship was set up in 1971 with 31 members from the LDP, 155 from the JSP, 15 from the DSP (Democratic Socialist Party), and 15 from the Kômêtô (Clean Government Party). Its goals were to increase Japan-North Korea trade and to promote the normalisation of relations between the two countries. Seung K. Ko, 'North Korea's relations with Japan since détente', *Pacific Affairs*, vol. 50, no. 1, Spring 1977, p. 35.

the forty five year period after World War II. Moreover, the Joint Declaration urged that North Korea and Japan should move towards negotiations on diplomatic normalisation; that the two countries should promote bilateral political, economic and cultural ties; that they should establish direct satellite communications; and contained the statement that 'Korea is one' and that North and South Korea should work towards reunification.⁵⁶ Japanese officials have always maintained that the Three Party Joint Declaration is a party-to-party agreement and so not binding on the Japanese government, but at the same time it provided the basis for moving ahead with normalisation talks. On 1 October 1990, Kaifu announced that Japan was ready for talks with North Korea, and on 9 to 10 October, Doi Takako and LDP Secretary General Ozawa Ichirō travelled to North Korea to secure the final release of the crew of the *Fujisanmaru*.

The normalisation talks between Japan and North Korea proved difficult and stretched to eight rounds held in Beijing between January 1991 and November 1992. The talks were made problematic at first because of disagreements over the issue of a Japanese apology and compensation for colonial and wartime damage. Other issues also impeded the talks such as the repayment of debts incurred by North Korea to Japanese companies, permission of Japanese wives of North Koreans to visit Japan, the legal status of the North Korean community in Japan, and the safety of Li Un-Hye.⁵⁷ As the talks progressed, however, the main contention became the issue of nuclear inspections. In the period before the start of normalisation talks, North Korea and Japan agreed to a dialogue on all issues with no 'preconditions', and thus the Japanese side did not see the necessity to insist on raising the emergent issue of IAEA inspections before the actual start of the talks. It

⁵⁶For the full text of the Three Party Joint Declaration, see *Japan Times*, 29 September, 1990, p. 3.

⁵⁷The woman known as Li Un-Hye was believed by the Japanese government to have been the Japanese citizen, Taguchi Yayeyo (born in 1957), abducted by North Korea from Saitama Prefecture between 1978 and 1979. She was then thought to have been taken to North Korea in order to provide education in Japanese language and customs for its agent Kim Hyun-Hee, who disguised as a Japanese citizen was responsible for the bombing of a Korean Airlines flight on 29 November 1987. For an examination of this incident, see Satō Katsumi, *Naze Isogu no ka: Nicchō Kōshō*, Tōkyō, Gendai Kōria Kenkyūjo, 1991, pp. 19-24.

was not until 9 January 1991, and a meeting between President Roh and Kanemaru that the LDP and the Japanese government agreed to consider five South Korean conditions for talks with North Korea, which included the demands that Japan would raise the issue of nuclear inspections in talks with the North, and that it would not normalise relations until there was progress on North-South dialogue.⁵⁸ In a meeting between President Roh and Prime Minister Kaifu on 9 January 1991, prior to the start of Japan-North Korea normalisation talks, Japan confirmed it would continue to consider South Korea's position in the talks, and subsequently the inspections issue was raised at the first round of talks with North Korea later in the same month. The nuclear issue was then to become the main reason for the eventual breakdown of the talks.

The activities of Japan in the period of normalisation talks in 1991 and 1992 have been seen by many commentators, and especially those in South Korea, as evidence of Japanese policy-makers engaging in balance of power politics in the same way as their counterparts in South Korea, the US and North Korea; marked by an attempt to also undercut the strategic gains by the South, and to strengthen Japan's general position against the South and in Northeast Asia in general. Byun Joo Ahn argued in 1993 that, 'by undertaking formal negotiations for diplomatic normalisation with Pyongyang, Tokyo is moving towards a *de jure* two Koreas policy', and Jin Park writes that, 'The key rationale behind Japan's approach towards North Korea is to maintain the *status quo* in the divided Korean Peninsula, which has been in fact the central policy objective of successive Japanese governments concerning Korea since the end of the Korean War in 1953.'⁵⁹

⁵⁸The five conditions demanded by North Korea and which Japan agreed to consider when negotiating with North Korea were as follows: 1) that Japan should engage in prior consultations with South Korea about Japan-North Korea negotiations; 2) that Japan would improve relations with North Korea in 'connection with' and paying attention to developments in North-South dialogue; 3) that Japan would request North Korea to accept IAEA inspections; 4) that Japan would not extend economic cooperation to North Korea until after the normalisation of relations; 5) that Japan would encourage North Korea to become a responsible member of international society. Most of these conditions were acceptable to Japan, and MOFA officials in Tōkyō make it clear that the Japanese government intended to negotiate based on similar principles even without the South Korean demands. Interview with MOFA official, Tōkyō, 14 October 1996.

⁵⁹Byung-joon Ahn, 'Japanese policy towards Korea', in G. L. Curtis (ed.), *Japan's Foreign Policy After the Cold War*, London, M. E. Sharpe, 1993, p. 263; Jin Park, 'Japan-North Korea

Support for this type of view is believed to be provided by the fact that the Japanese government showed itself eager for negotiations with the North only after South Korea and the USSR had established relations in 1990, so creating the need for a Japanese diplomatic effort to negate this South Korean advantage. The statement that 'Korea is one' in the Three Party Joint Declaration of September 1990 has been seen as really the acceptance by Japan of the North's reunification policy rather than one which be worked out between North and South, and that it was trying in this way to maintain the division of the Korean Peninsula. Japan's failure to set preconditions on normalisation talks and to raise the nuclear issue in negotiations until after pressure from the South is also seen as a demonstration that Japan valued its own diplomatic interests more highly than the security of the South. The normalisation talks also seem to have been used by Japan to establish an advantage for the North over the issue of compensation. Under the Basic Treaty of 1965, South Korea and Japan both accepted the principle of *seikyūken*, or claims on property, and to renounce compensation claims on each other. This then allowed Japan to provide US\$500 million in loans and US\$300 million in grant aid to the South.⁶⁰ In the case of North Korea it is believed to have demanded the sum of up

rapprochement: issues and prospects,' *Japan Forum*, vol. 4, no. 2, October 1992, p. 330. For similar views to these, see also, Jung Hyun Shin, 'Japan's two Koreas policy and Korea-Japan relations', in Chin Wee Hung (ed.), *Korea and Japan in World Politics*, Seoul, Korean Association of International Relations, 1985, pp. 269-92; Dal-Joon Chang, 'The end of the Cold War and the future of South Korea-Japan relations: a more strained relationship?', *Korea and World Affairs: A Quarterly Review*, vol. 16, no. 3, Fall 1992, pp. 521. The South Korean and, indeed, North Korean suspicion of Japan's attempt to instigate a two Koreas policy dates back to the period of the Basic Treaty and before, see, for instance, Soon Sung Cho, 'Japan's two Koreas policy and the problems of Korean unification', *Asian Survey*, vol. 7, no. 10, October 1997, pp. 703-25.

⁶⁰Under the Article 4 of the 1952 Peace Treaty with Japan, Japan was legally obligated to negotiate compensation to private individuals in its former colonies for property damaged or confiscated during Japanese rule, and, in turn, Japanese citizens were also entitled to recover their property from former colonies after the war. The extreme difficulty of calculating the value of these properties twenty years after the liberation of Korea encouraged both Japan and South Korea to settle the legal problem of compensation during talks on the formulation of the basic Treaty by making a political compromise and renouncing the *seikyūken*. Japan was then able to provide a form of compensation to South Korea in the guise of 'economic cooperation'. Even though the Japanese government has never acknowledged this economic aid as compensation for colonial rule, the South Korean government has continued to regard it as such. An analysis of the legal problems involved in the Basic Treaty and the *seikyūken* is provided in: Sugiyama Shigeo, 'Zaisan, seikyūken mondai shori oyobi keizaikyōtei no shomondai', *Hōritsu Jihō*, vol. 37, no. 10, September 1965, pp. 18-23. For a full account of the negotiation of the Basic Treaty, see Takasaki Sōji, *Kenshō Nikkan Kaidan*, Tōkyō, Iwanami Shinsho, 1996.

Maintaining that the Japanese government was not bound by the Three Party Joint Declaration, the MOFA sought in the Japan-North Korea normalisation negotiations to achieve a compensation

to US\$10 billion in compensation from Japan.⁶¹ Clearly there are problems in calculating the comparative sums of compensation from Japan for North and South, and the Japanese government, which maintains that it is not bound by the September 1990 Three Party Joint Declaration, has refused to abide by its terms which state that Japan should compensate North Korea for not only colonial rule, but also for 'losses' suffered by North Korea in the forty five years following World War II. North Korea is unlikely to get anything close to the huge sums it has demanded. But from the South Korean point of view it appears that, even though the Japanese government has refused to be bound by the Joint Declaration's principles, it was designed by Japanese politicians to gain an advantage over the South for both itself and the North. Moves by Japan to resume normalisation talks with North Korea since 1995 have also aroused the same suspicions as above among South Korean observers.

As well as the chain of events of the early 1990's, examination of the views of Japanese policy-makers themselves suggests there may be some basis for seeing Japan as following the principles of balance of power politics. On 21 September 1991, Prime Minister Kaifu was reported to have informed President Roh that, 'Japan's relations with North Korea will be developed in a manner that balances development of South Korea's relations with the Soviet Union and China, and North Korea's ties with the United States.'⁶² It is possible to imagine that in the

settlement in the form of 'economic cooperation' and similar to that with South Korea and Basic Treaty of 1965. North Korea, though, rejected outright the Japanese approach and the form of settlement made in the Basic Treaty. Instead, the North Korean government argued that it deserved colonial and war compensation as its partisans were in a state of war with Japan during World War II. North Korea's argument for postwar compensation was based on the claim that Japan's hostile policy had been partly responsible for the continued division of the Korean Peninsula and the Korean War, and that if Japan really wanted to show its goodwill towards North Korea, as well as an apology it should also provide some form of material compensation.

In reply, Japan argued that it had never been in a state of war with North Korea's partisans: firstly, because under international law it was only possible to fight a war with an independent country, and at the time Korea was a Japanese colony; and, secondly, because the partisans were actually active mainly in China and under Chinese command. With regard to postwar compensation, Japan noted that the division of the Korean Peninsula and the conduct of the Korean War had been a result of UN resolutions, and that North Korea's isolation and the situation of confrontation on the Korean Peninsula had been a product of East-West conflict and the North's own policy.

⁶¹Jin Park, 'Japan-North Korea rapprochement', p. 334.

⁶²*Japan Times*, 22 September, p. 1.

immediate post-Cold War period, and before the emergence of the nuclear and subsequent crises, certain sections of the Japanese policy-making community and the LDP may have seen some benefit in balancing the South against the North in order to protect Japan's interests. But at the same time, whilst not denying that elements of balance of power politics may have entered the minds of policy-makers, it is also important to moderate this view. The first consideration is that the restoration of the balance of power on the Korean Peninsula does not necessarily mean that Japan gains an advantage over South Korea; the comments of Kaifu above can equally be seen as an acceptance of a view similar to North Korea's, in that it was the South which had upset the balance of power with its *nordpolitik* and that all Japan wished to see was a return to stability on the Korean Peninsula by alleviating some of North Korea's diplomatic isolation and rectifying the top heavy security equation that the South had created.

The second consideration is that there has long been a body of policy-making opinion in Japan which, to different degrees and for a variety of reasons unrelated to balance of power politics, is in agreement over the need to improve relations Japan-North Korea relations. Politicians from both the JSP (later SDP) and the LDP have been motivated to take initiatives to deal with North Korea by a mix of narrow constituency and financial interests, and wider national interests. It is almost certainly the case that North Korean money, often passed on via the North Korean community in Japan, has proven to be an added incentive for politicians from the LDP and SDP to take an interest in North Korean affairs. The suspicion is that Kanemaru was swayed by North Korean money and Japanese business interests in the North, and it is significant that a large number of the politicians who have visited North Korea in the past have been drawn from those constituencies either with large Korean communities, or located on the Sea of Japan coast, which are looking for improved business links with North Korea and the renewal of fishing rights off the coast of North Korea (see map 1).⁶³ Moreover, the possible

⁶³Kanemaru's fall after the surfacing of the Sagawakyūbin scandal in August 1992 led to the charges of bribe taking from North Korea, and after his arrest in 1993 there was speculation that

financial bonanza for Japanese politicians of the government's provision of compensation to North Korea should not be ruled out as a motivation. Even if North Korea were to receive in a final normalisation settlement only a fraction of the compensation that it initially demanded, this would still mean an effective transfer of billions of dollars of aid to North Korea for economic cooperation projects. The role of LDP and SDP politicians in oiling the wheels for the flow of this form of ODA would likely be rewarded by the recycling to them of some of these funds from Japanese companies awarded aid contracts and from North Korea itself.⁶⁴

But it is also true that many of the politicians involved in improving Japan-North Korea relations have at the same time been persuaded of the importance of doing so because they wish to clear up problems such as the *Fujisanmaru*, and to contribute to the resolution of an uncomfortable legacy of Japanese colonial history and a persistent problem for Northeast Asian security. Among the Japanese political parties, the SDP has traditionally maintained the closest relationship towards North Korea, refusing to recognise the Basic Treaty which it felt was an acceptance by the Japanese government of the division of the Korean Peninsula.⁶⁵ Instead, it has tried to improve North Korea-Japan relations by the practice of *yatô gaikô*, or opposition party diplomacy. But there has also been a small and sometimes influential group of LDP lawmakers sympathetic towards the North and looking for better ties between two countries. This body of opinion has been articulated by the

the unmarked gold ingots found in his office safe had been channelled to him by North Korea. The Economist Intelligence Unit, *Country Report: South Korea and North Korea*, no. 3, 1993, p. 44. There has also been speculation that Kanemaru's interests in the construction industry influenced him to take steps to improve Japan-North Korea relations. Due to the mismanagement of its agricultural policy which has resulted in large scale soil erosion, North Korea is one of the few countries close to Japan with large supplies alluvial gravels suitable for construction purposes, whereas Japan's supplies are limited and expensive. The speculation is, therefore, that Kanemaru was seeking to open up this cheap supply of gravel to his allies in the construction industry.

North Korean money is also believed to have passed to other JSP and LDP politicians from the Chôsensôren, which has raised much of the money from activities such as the management of pachinko parlours.

⁶⁴Interview with *Mainichi Shimbun* journalist, 6 February 1997.

⁶⁵For details of the JSP's diplomacy towards Korea, see Kawakami Tamio, *Shakaitô no gaikô: atarashii jidaizukuri no tame ni*, Tôkyô, Saimaru Shuppan Kai, 1994, pp. 36-74. Documents on the JSP's diplomacy in this era are reproduced in: Nihon Shakaitô Seisaku Shingikaihen, *Nihon Shakaitô to Seisaku no Shiryô Shûsei*, Tôkyô, Nihon Shakaitô to Chûôhonbu Kikanshikyoku, 1990, pp. 41, 489-90, 503-6, 1225, 1235-37, 1251.

Dietmen's League for the Promotion of Japan-North Korea Friendship, but reached more prominence in the 1980's with the ascendancy in the LDP of former Foreign Minister Watanabe Michio and LDP-kingmaker Kanemaru Shin. The attitudes of the main government and opposition party, and the most influential ministries, towards North Korea is more sophisticated than the blatant balance of power politics that has often been suggested. A more complex expression of the Japanese attitude would be that although North Korea is a difficult state to deal with diplomatically, it is one with which dialogue is necessary, and that the situation of Japan having no diplomatic relations with the North since the end of World War II is unsatisfactory and needs to be rectified.⁶⁶ Furthermore, a divided Korean Peninsula is not necessarily believed to serve Japanese interests as it remains a source of conflict that Japan could be dragged into. Thus, many Japanese policy-makers have in the past, and continue to argue that it is in the interests of Japan, the two Koreas and the whole of the region for Japan to improve relations with North and South evenly, and to try to aid the process of reunification. Japan's policy towards the Korean Peninsula is also made more complex by the shades of opinion within the policy-making community that prevent it from practicing the type of calculating power politics that others have believed. For instance, the concessions that Kanemaru made to North Korea in the signing of the Three Party Joint Declaration seem to have been much of his own making and led him to overstep his negotiating mandate.⁶⁷ Kanemaru was heavily criticised within his own party for the Joint Declaration, and his freewheeling diplomacy should not, therefore, be taken as representative of a balance of power policy operated by the Japanese government. Indeed, in the end Kanemaru's initiatives were motivated more by his own and the Takeshita faction's financial interests, a desire to end hostility between Japan and North Korea, and the personal relationship struck up between himself and Kim Il Sung, than any great desire to trade one Korea off against the other.

⁶⁶Interview with former JSP House of Representatives Diet member, Tôkyô, February 22, 1996.

⁶⁷Jin Park, 'Japan-North Korea rapprochement', p. 334; Byung-joon Ahn, 'Japanese policy towards Korea', p. 269.

Hence, when viewing Japanese government policy in this period a blend of motives needs to be seen. The element of national interest in Japanese policy in gaining diplomatic advantage over South Korea cannot be discounted totally. But for Japan the main diplomatic challenge posed by North Korea may not have been so much how to restore the balance of power on the Korean Peninsula, but more how to contribute towards the construction of a new framework for stability on the Peninsula, and how to find an approach to a persistent security concern that could no longer be ignored.

Furthermore, criticism from South Korean commentators of Japanese policy towards North Korea as based on balance of power politics appears less than justified when it is seen that in many cases Japan has only moved in line with South Korean policy pronouncements. In trying to improve relations with North Korea in the late 1980's, Japan in one sense was simply following the lead of South Korea after President Roh declared in his 7 July 1988 address that Seoul, in order to create an atmosphere conducive to peace on the Korean Peninsula, would cooperate with Pyongyang in its efforts to improve ties with the United States and Japan, and in parallel with the South's own efforts to improve ties with the USSR and China.⁶⁸ The South reiterated this position when the Japanese Foreign Minister Uno met with his South Korean counterpart Choi Ho Jung in April 1989 who pledged support for Japan-North Korea normalisation efforts.⁶⁹ In the early stages of North Korea-Japan dialogue, then, South Korea was less concerned about improved relations between the two countries and did not see an immediate conflict with its own interests. In fact, South Korea only seems to have become concerned after the September 1990 Joint Declaration and that Japan was moving too fast with normalisation, and then acted to slow the process by the imposition of conditions concerned with North-South dialogue and nuclear inspections. But even then Tokyo was careful not to offend Seoul; Kanemaru after his visit to the North

⁶⁸The full text of this speech is reproduced in, *Korea and World Affairs: A Quarterly Review*, vol. 12, no. 3, Fall 1988, pp. 627-30.

⁶⁹*Japan Times*, 2 April 1989, p. 1.

travelled to the South in October 1990 to reassure President Roh that Japan would not provide economic aid to the North before the normalisation process was complete.⁷⁰ Then in talks between Roh and Kaifu in January 1991, it was agreed that Japan's normalisation of relations with the North would be carried out in such a way that it would not conflict with South Korean interests.

A more detailed analysis of the diplomacy of normalisation with North Korea in the early 1990's demonstrates that descriptions of Japan as acting purely in line with considerations of power politics to counteract South Korean strategic gains are inaccurate and distorted. Certainly, Japan, like the US and South Korea, chose a diplomatic response to North Korea, but the style and content of Japan's approach was somewhat different. Japan was perhaps less immediately concerned than these other powers about balance of power politics. Japan instead often acted in line with South Korean dictates and the most important motivation for Japanese policy was to try to make some headway in solving the most protracted security problem in Northeast Asia, rather than just a simple prolongation of the status quo. However, the difficulties of dealing with North Korea meant that Japan felt the same types of military threat as South Korea and the US, and was forced also to adopt at times a military approach to North Korea.

Japan and the North Korean military security threat: weapons of mass destruction, ballistic missiles, guerrilla activities, and internal unrest

The North Korean military threat has also affected Japan, and especially in the later stages of the nuclear crisis in the early and mid-1990's. As has been seen, the military security threat from North Korea combines both the aspects of explosion and implosion.

North Korea's military capabilities and the threat of its employing these to create an explosion to unsettle Northeast Asian security have long been identified as a

⁷⁰*Japan Times*, 3 October 1990, pp. 1, 4.

threat by Japan's defence community, including politicians, and members of the MOFA, Defence Agency and SDF. The perceived threat from North Korea was strengthened by its withdrawal from the NPT in 1993. During the nuclear crisis all the main political parties were united in condemnation of North Korea's exploitation of its 'nuclear card', even if they differed over the degree of sympathy that they expressed for its diplomatic and economic plight, and how hard-line an approach should be taken in resolving the issue. The LDP prime minister at the time of North Korea's withdrawal from the NPT, Miyazawa Kiichi, described its action as a 'great threat' to Japan's security. Hosokawa Morihiro and Hata Tsutomu, coalition prime ministers between July 1993 and June 1994, also described North Korea's nuclear programme as a security threat.⁷¹ The SDP, whilst attempting to maintain its traditionally friendly ties with North Korea, has been willing both in opposition, and since 1993 after having joined Hosokawa, Hata and then LDP coalition governments, to criticise the North for its recalcitrance on the issue of nuclear inspections. Official Japanese concern about North Korea has also been illustrated by the Ministry of Foreign Affairs' Diplomatic *Bluebooks* and the Defence Agency's white papers, which since the early 1990's have claimed consistently that North Korea's military build-up is a source of instability for the security of Japan and the whole Asia-Pacific region.⁷²

Agreement on the potential existence of a threat from North Korea does not necessarily mean, though, that Japanese policy-makers have been in agreement amongst themselves or with their counterparts in the US over the exact type of threat posed, and the extent to which the threat is a nuclear one. Japanese opinion tends to be as divided as that in the US over the existence of a North Korean bomb. Some prominent policy-makers, such as the influential power-broker Ozawa Ichirō, have readily accepted the US estimates and asserted that North Korea was close to

⁷¹*Japan Times*, 2 April 1993 p. 1; *Asahi Shimbun Yūkan*, 20 November 1993, p. 1.

⁷²For example: Gaimushō, *Gaikō Hakusho 1995*, Tōkyō, Ōkurashō Insatsukyoku, 1995, p. 19; Bōeichō, *Bōei Hakusho 1995*, Tōkyō: Ōkurashō Insatsukyoku, 1995, 1996 pp. 41-4, 61.

the possession of a bomb.⁷³ Ozawa, however, should not be taken as fully representative of policy-making opinion, in that he probably sees some advantage in using the North Korean threat as a means to promote his own agenda for Japan's assumption of a more active, or 'normal', role in global security. In fact, up until now most policy-makers have been more cautious in their predictions about North Korea's bomb. In April 1994, the Deputy Director General of the Defence Agency, Hatakeyama Shigeru, stated that the estimate of US Secretary of Defence, William Perry, that North Korea had already acquired two bombs could not yet be confirmed, and in June 1994, Foreign Minister Kakizawa Kôji stated in the Diet that there was insufficient evidence to decide either way if North Korea had a bomb.⁷⁴ Hata Tsutomu as Foreign Minister repeated the Deputy Director's cautious line in November 1993, and as Prime Minister in June 1994, he declared that he felt that North Korea did not have a bomb, although he agreed that it was probably diverting material for the manufacture of one.⁷⁵

Policy-makers in Japan, then, seem to share the certainty of US policy-makers that North Korea had been attempting to produce a bomb, but not the certainty that it has actually succeeded in producing one. Clearly they see the potential of the emergence of a nuclear threat over the long term if the North Korean nuclear programme continues unchecked, but over the short term they do not see an immediate and functioning military threat.

Japanese policy-makers also seem to doubt US evaluations of North Korea's missiles as viable delivery systems for a nuclear weapon. The Japanese defence community does take the missile threat seriously, and as the Defence Agency's 1995 white paper notes:

In the event of North Korea succeeding in the development and deployment of this [Nodong-1] missile, more than half of Japan will be within its range. Furthermore, North Korea is believed to be attempting to develop a missile with a range greater than the Nodong-1. This

⁷³*Asahi Shimbun*, 7 February 1994, p. 2.

⁷⁴*Asahi Shimbun*, 5 April 1994, p. 2; Kokkai, Shûgiin, *Gaimuinkairigioku*, 3 June 1994, no. 3, p. 6.

⁷⁵*Asahi Shimbun*, 9 February 1994, p. 2; *Nikkei Shimbun*, 19 June 1994, p. 2.

missile, if completed by North Korea, could serve as a delivery system for weapons of mass destruction.⁷⁶

By this, the Defence Agency was referring to the Nodong-2, and the greatest fear of Japanese defence planners would be North Korea's acquisition of a credible nuclear strike force by marrying its Nodong-2 with a nuclear warhead. But it appears that Japan's strategists do not view North Korea's existing missiles as of yet sufficient power and sophistication to constitute a genuine ICBM-type threat. The Defence Agency pointed out in May 1994, that North Korea could probably not combine its missiles with a nuclear warhead, as any North Korean bomb in the early stages of its development would be too heavy a payload for the existing missile system.⁷⁷

However, where Japanese policy-makers and strategists do seem to be in agreement with US threat evaluations is with regard to the possibility of North Korea attacking Japan with high explosive or chemically armed missiles. The actual military effectiveness of chemical warheads is limited by their lack of accuracy and reliance upon favourable environmental conditions. It is estimated that to create a chemical attack with the destructive power of an Hiroshima-sized nuclear bomb, seventy five chemical tipped weapons would have to be detonated over the target area, something believed to be beyond the technical capabilities of Scud-based missile systems like the Nodong-2.⁷⁸

Consequently, at present North Korea's missiles are incapable of functioning as a strategic deterrent or as a tool of long-term military pressure upon Japan. But as the Defence Agency's 1995 defence review pointed out, the most effective option open to North Korea might be to exploit them as terrorist weapons, similar to Iraq's use of Scud missiles against Saudi Arabia and Israel during the Gulf War in

⁷⁶Bôeichô, *Bôei Hakusho 1995*, p. 61 [Author's translation].

⁷⁷*Asahi Shimbun*, 5 April 1994, p. 2. The estimate of the Defence Agency matches that of the Russian experts who supplied the initial nuclear and missile technology to North Korea. *Japan Times*, 21 April 1994, p. 4.

⁷⁸Andrew Mack, 'Missile proliferation in the Asia-Pacific region', in Trevor Findlay (ed.), *Chemical Weapons and Missile Proliferation: With Implications for the Asia-Pacific Region*, Boulder, Colorado: Lynne Rienner, 1991, p. 47.

1991.⁷⁹ Iraq chose to use, or was only capable of using, high explosive warheads, but these attacks combined with the perceived threat of chemical attack were enough to give it a weapon of terror. The physical and psychological vulnerability of Japan to chemical attacks has been shown by the sarin gas attack incidents perpetrated by the Aum Shinrikyô in March 1995, and the threat of the launch of chemical and conventional warheads would be likely to produce far greater panic amongst the populations of Japanese cities. Hence, Japan's most immediate perception of the North Korean threat may be that of chemical missile attack and the subsequent chaos that it would produce.⁸⁰

Indeed, it is arguable that it is terrorism which poses another important if less often identified internal security threat for Japan. The fear amongst certain policy-makers has been that the imposition of sanctions by the UN on North Korea with Japan's cooperation in mid-1994 would lead to a backlash from the sizeable North Korean community in Japan.⁸¹ This backlash could come in the form of the use of

⁷⁹*Japan Times Weekly International Edition*, 24-30 July 1995, p. 3.

⁸⁰For a description of some of the scenarios that a missile attack on Japan could produce, see Takesada Hideshi, 'Scenarios for the Korean Peninsula: but Japan remains unprepared for a Korean emergency', *By The Way*, vol. 65, no. 5, August-September 1996, pp. 18-23; Takesada Hideshi, 'Amerika no kyokutô yûji no shinario wa machigatte iru', *Sapio*, 9 October 1996, pp. 86-89. Takesada essentially sees the North Korean missile as a means of placing political pressure on the US-Japan alliance, given that North Korea is aware that even if it launched a missile at one of Japan's nuclear power facilities on the Sea of Japan coast, the US might find it hard to retaliate against North Korea in kind due to South Korea pressure not to provoke a full scale war on the Peninsula which would also harm US forces there. In this situation, with the US unlikely to respond the US-Japan alliance could be stretched to breaking point.

⁸¹By May 1946, there were approximately 2.3 million Korean residents in Japan, the first generation having migrated or having been involuntarily brought to Japan during the colonial period. The majority of Korean residents returned to their homeland following the end of World War II, but there were still around 650,000 Koreans remaining in Japan as of March 1946. Although many of these remaining Korean residents at first wished to return to Korea, for various economic and personal reasons, and due to the outbreak of the Korean War in 1950, many found it impossible to return and stayed in Japan. By the end of 1985, there were 687,000 Koreans in Japan, of which 95.5 per cent were classified as permanent residents. Out of these permanent Korean residents, over 88 per cent had been born in Japan. The Korean community in Japan is concentrated the major cities, with close to one third in Osaka.

The Korean community in Japan has become divided into two rival Korean resident organisations: the pro-South Korean Mindan (Korean Residents' Association in Japan) and the pro-North Korean Chôsensôren (General Federation of Korean Residents in Japan). Even though the majority of Korean residents in Japan were originally from the southern provinces of Korea, initially more Koreans were affiliated with the Chôsensôren. In 1964, 231,345 Korean residents had South Korean nationality, compared with 312,367 claiming North Korean citizenship. But, by the 1980's the balance had swung in favour of the Mindan with over 400,000 Korean residents in Japan having acquired South Korean citizenship.

However, despite their high degree of organisation, both Korean communities in Japan have experienced difficulties in maintaining their cultural identities in the post-War period. An increasing number of second and third generation Koreans in Japan know only the Japanese

its financial influence over Japanese political parties, its links to organised crime, promotion of civil disorder, or even possibly terrorism. A secret report by the Japanese government leaked to the press in 1994 made clear that the Japanese government takes these threats seriously. It predicted that in the event of sanctions a fierce reaction could be expected from the Chôsensôren organisation of North Koreans in Japan, with large protests at Japanese government buildings, the US embassy and US military installations. In addition, there was the possibility of violence directed at the police by certain sections of the Chôsensôren, plus conflict between the North Korean community and right-wing extremist Japanese organisations.⁸²

The report also raised the threat of terrorism in the event of US bases in Japan being used for military action against North Korea. It states that terrorism could be directed by North Korea itself through the dispatch of special operatives to Japan, or the agency of Koreans resident in Japan and international terrorist organisations. One target which is thought to be especially vulnerable to a North Korean terrorist or guerrilla attack is the high concentration of Japanese nuclear power stations on the Sea of Japan coast close to the Korean Peninsula, all of which would be hard to protect in the event of attack. The submarine incident of September 1996 in South Korea, only served to reinforce the Japanese government's awareness of the ability of North Korea special forces to infiltrate Japan. For if the submarine could escape detection by South Korean forces always on standby for any sign of North Korean aggression, and if the North Korean soldiers could evade thousands of South Korean troops mobilised to search for them after they had landed, this throws into

language, are intermarrying with Japanese, and are opting to naturalise. These trends have made for a weakening of the two resident organisations, and this has been compounded by the economic problems of their respective communities. Although, many Korean residents have been successful in businesses such as the running of *Pachinko* parlours and restaurants, discrimination has meant that they have been excluded from other sectors of the Japanese economy. The Chôsensôren, in particular, is believed to have been hit by the collapse of the 'bubble' economy, investigations into its alleged tax evasion activities, and the burden of supplying its homeland with cash demands. For a detailed discussion of the Korean community in Japan, see Hong Nack Kim, 'The Korean minority in Japan', *Korea and World Affairs: A Quarterly Review*, vol. 14, no. 1, Spring 1990, pp. 111-37.

⁸²Asô Iku, 'Seifu naibunsho o nyûshu: Kitachôsen wa kô ugoku', *Bungeishunjû*, July 1994, p. 205.

question the ability of Japan also to cope with such a guerrilla threat, especially when it lacks a practiced system of crisis management comparable to South Korea's. In December 1996, as a measure designed to stop infiltration by submarines and the landing of guerrillas, the Prime Minister was given the power to dispatch without Cabinet permission MSDF ships to intercept foreign submarines and order them to land; although the new powers prohibited the use of force by ships.⁸³ The Japanese authorities are aware that North Korea has had links for a long time with terrorist groups in Japan, and the report pointed out that for North Korea to intensify its activities in this area:

Would be comparatively easy given the state of public order and limited experience of terrorist threats that Japanese society has experienced up until now. These activities are likely to result in serious human and physical damage, and could destabilise society.⁸⁴

By mid-1994, as the likelihood of the imposition of sanctions increased, the predictions of the report looked as if they could be realised. Tensions between the Japanese authorities and the Chôsensôren grew especially tense. Japanese police raided two companies believed to be used by the Chôsensôren as fronts for the export to North Korea of equipment for its missile programmes.⁸⁵ Chôsensôren members also clashed in street protests with the police as they entered the organisation's headquarters in Kyôto and Ôsaka in May and June 1994, ostensibly

⁸³*Japan Times*, 25 December 1996, p. 1.

⁸⁴Asô Iku, 'Seifu naibunsho', p. 210 [Author's translation]. The Japanese defence establishment has viewed the large urban based Korean minority as an internal security threat since the 1960's. South Korea's Central Intelligence Agency (KICA) demonstrated its ability to operate inside Japan when it abducted the South Korean opposition candidate Kim Dae Jung from Tôkyô in 1973. John Welfield, *An Empire in Eclipse*, pp. 340, 355. North Korea gave sanctuary in 1972 to members of the Japanese Red Army, or *Nihon Sekigun*, who hijacked and forced a Japan Airlines (JAL) jet to land in North Korea. Members of this group of the *Nihon Sekigun* have remained in the North until the present day and have continued to publish a newsletter called *Nihon o Kangaeru* (*Think Japan*), although it seems that the North Korean regime has not allowed the group the freedom to continue its guerrilla activities as it had originally hoped for. North Korea is also alleged to have provided training and financing for another group of the *Nihon Sekigun* in the Lebanon during the 1970's, and was suspected of being involved in Red Army operations to disrupt the Seoul Olympics in 1988. North Korea has been implicated in the abduction of a number of Japanese citizens in the 1970's and 1980's, known as *racchi jiken*. For an account of these abductions, see Bôhô Jiken Kenkyûkai, 'Kitachôsen ni yoru Nihonjin racchij yôgi jian', *Chian Fôramu*, May 1995, pp. 56-62. The history of North Korea's links with terrorist activities in Japan since the 1970's is outlined in Joseph S. Bermudez Jr., *Terrorism: The North Korean Connection*, New York: Crane Rusak, 1990, pp. 146-54.

⁸⁵Edward W. Desmond, 'Kim Il Sung's money pipeline', *Time International*, 4 April 1994, pp. 16-17.

to investigate violations of land utilisation laws. The second incident was reported by the pro-North Korean press in Japan as involving 1,300 riot police.⁸⁶ Whilst this number is probably exaggerated, the Japanese government's commitment of large numbers of police does demonstrate that it was putting considerable pressure on the Japanese North Korean community in 1994, and that it was aware of the domestic security risks involved. Hence, it is clear that the problem of a North Korean military explosion has implications for internal security. The North Korean nuclear issue exceeded the traditional bounds of military and external security, and intrudes into the areas of public order and security.⁸⁷

Linked to the problem of Japanese internal security are the implosion aspects of the North Korean security problem. The security problem of the North Korean regime's implosion was present already during the North Korean nuclear crisis, but has become more evident since the passing of the nuclear crisis and growing fears about the effect of food shortages on the regime since 1994.⁸⁸ At the time of the nuclear crisis, the concern was that any conflict could lead to an exodus of North and South Korean refugees to Japan, with which Japan's legal and physical infrastructure would be unable to cope with. Following the nuclear crisis, concern has shifted to a refugee crisis brought about by the economic collapse of North Korea. These concerns were voiced by Kajiyama Seiroku, the Chief Cabinet Secretary in the first and second Hashimoto governments, when he commented on 7 August 1996 that it was possible that these refugees might bring arms to Japan

⁸⁶*People's Korea*, 7-14 May 1994, p. 1; 18 June 1994, p. 1. For a Chōsensōren account of these raids and the Japanese security authorities' pressure on the North Korean community in Japan, see Chōsen Jihō Henshūbun, *Ima Naze Chōsensōren Danatsu Ka: Chōsen Yūji--Haheijunbi Isogu Nihon*, Tōkyō, Chōsen Seinensha, 1994.

⁸⁷Christopher W. Hughes, 'The North Korean nuclear crisis and Japanese security', *Survival: The IISS Quarterly*, vol. 38, no. 2, Summer 1996, pp. 91-3.

⁸⁸The debate in Japan over the condition of the North Korean regime is a divided as in the US and South Korea. The general view since the nuclear crisis and the survival of Kim Jong Il's rule after the shock of Kim I Sung's death, is that the regime will not fall so easily, and that its authoritarian structure will allow it to overcome even major food shortages. For these types of views, see Takesada Hideshi, 'Enki saretā kokka shuseki e shūnin: 3nenme ni haitta Kim Shō Nichi taisei', *Chian Fōramu*, September 1996, pp. 50-9, and Shigemura Toshimitsu, *Kitachōsen Hōkai Sezu*, Tōkyō, Kappa Books, 1996. For a flavour of the arguments which see the North Korean regime in terminal decline: Satō Katsumi, 'Hōkai shitsutsu aru Kitachōsen no genjō taisei', *Chian Fōramu*, December 1995, pp. 11-19; Hasegawa Keitarō and Satō Katsumi, *Kitachōsen Hōkai to Nihon: Ajia Gekihen o Yomu*, Tōkyō, Kappa Books, 1996.

thus presenting both a humanitarian and internal security crisis. Kajiyama also hinted that these armed refugees from North and South Korea might find support from their respective resident groups in Japan.⁸⁹ The likelihood of Kajiyama's prediction of armed refugees coming to Japan in a crisis is questionable, but it does give some idea of the multifarious and interconnected explosion and implosion low-intensity threats to security perceived by some Japanese policy-makers.⁹⁰

Japan and the North Korean political security threat: the Japan-US alliance

However, what has multiplied the importance of the North Korean military security threats for Japan is that, like South Korea, it has become aware that North Korea has threatened to disrupt the fundamental basis of Japan's security by attempts to derail the US security system in Northeast Asia. The success of North Korea in weakening and sapping confidence in the US security system on the Korean Peninsula has already been described and has implications for Japan's security.⁹¹ During the Cold War, Japan relied upon the US security relationship with South Korea to help maintain stability on the Korean Peninsula, and upon its own security relationship with the US to ensure its security against the wider threats from the USSR and China. But the success of North Korea in attacking the US position on the Korean Peninsula has signified to Japanese policy-makers the

⁸⁹Kajiyama's remarks were made at a Nikkeiren seminar and were reported as follows: 'For example, [in the case of a Korean crisis] a mass flow of refugees will come [to Japan]. A number of those posing as refugees will also come. If we suppose that they bring weapons, what will we do? They have domestic organisations, both South and North. When this leads to internal strife, Japan's SDF will have no capability to fight back.' *Asahi Shimbun*, 10 August 1996, p. 5 (Author's translation).

⁹⁰Kajiyama's prediction of a refugee crisis is questionable because it assumes that refugees from the Korean Peninsula would seek first of all to flee to Japan and that they would have the means to do so. Certainly in the event of a major war on the Korean Peninsula refugees flow would occur, and some refugees might be tempted to seek safety with relatives in Japan. However, the problems of crossing the Sea of Japan in anything other than a large ocean-going vessel are very great, and therefore it is more likely that refugees would head by land for sanctuary with relatives in South Korea or southern China. The absence of refugees flows from North Korea to Japan during the Korean War confirms the impression that Japan is not necessarily the prime destination for refugees in the event of a crisis. For a critical analysis of Kajiyama's viewpoint, see Tsuru Shigeto, *Nichibei Anpo Kaishô e no Michi*, Tôkyô, Iwanami Shinsho, 1996, pp. 90-1.

⁹¹Okazaki Hisako, 'Nichibei anpo taisei ga kengô nara Kitachôsen no kaku wa kowaku nai', *Sekai Shûhō*, vol. 75, no. 75, 5 July 1994, pp. 16-18.

possibility of a further weakening of confidence in the US security system in and around Japan itself. This process already has been set in motion by trade disputes between the US and Japan, and calls from within the US for retrenchment in defence expenditure and strategic commitments. The unspoken fear of some Japanese diplomats and politicians since the advent of the Clinton administration has been that domestic political pressure within the US could lead to its neglect of, or total withdrawal from, security commitments in Asia.⁹² Many of these fears are unfounded, and, as has been described already, the Pentagon's February 1995 report *United States Security Strategy for the East Asia-Pacific Region*, confirmed to both Japan and South Korea that the US would keep 100,000 troops stationed in Asia.⁹³ But the continuing concern of many Japanese policy-makers is that the US's difficulties in dealing with North Korea will deter it from taking an active role in future Asian security problems or problems connected directly with Japan's security.⁹⁴

These anxieties were added to in late 1995 by severe strains in the US-Japan alliance caused by the crisis over the presence of US bases on Okinawa. Long-term frustration among the people of Okinawa concerning the disproportionate burden of US bases borne by the prefecture reached a critical point following the rape of a Japanese schoolgirl by three US servicemen in Okinawa in September 1995.⁹⁵ Despite apologies by the US and the arrest and eventual imprisonment of those responsible, the rape incident became the occasion for large-scale protests in Okinawa against the presence of US bases. These protests were backed by the prefecture's tenacious governor, Ôta Masahide, who refused to sign renewal leases for the land that US bases are located on. The largest demonstration on 21 October

⁹²These fears of Japanese policy makers are described in Eugene Brown, 'Japanese security in the post-Cold War era: threat perceptions and strategic options', *Asian Survey*, vol. 34, no. 5, May 1994, pp. 445-6; and Mike M. Mochizuki, 'Japan and the strategic triangle', in Michael Mandelbaum (ed.), *The Strategic Triangle: Russia, China, Japan and the United States in East Asia*, New York, Council on Foreign Relations, 1995, p. 128.

⁹³Department of Defense, *United States Security Strategy for the East Asia-Pacific Region*, Washington DC, Office of International Security Affairs, 1995, p. 23.

⁹⁴*Nikkei Weekly*, 6 March 1995, p. 4.

⁹⁵Arasaki Moriteru, *Okinawa Gendaishi*, Tôkyô, Iwanami Shinsho, 1996, pp. 204-34.

1995 was attended by 85,000 people, and the protests on Okinawa continued through to the holding of a prefectural plebiscite on 8 September 1996, in which a clear majority voted for the reduction of the US bases.

The Japanese government reacted to these events and the challenge to the US-Japan security alliance in a number of ways. At first the US and Japanese governments prepared a joint declaration on security intended for announcement upon President Clinton's visit to Japan for the APEC summit in October 1995, and to restate both governments' commitment to the alliance in order to repair the damage done by the North Korean nuclear crisis and by the Okinawa base problems. This was followed on 1 November by the establishment of SACO (Special Action Committee on Okinawa) a joint US-Japan body to investigate ways to reduce US bases on Okinawa, and then by the decision of the Japanese government in the same month to begin legal proceedings to enable it to sign the leases for base land in place of governor Ôta. However, despite this action by the Japanese government, its plans were thrown into some confusion by the cancellation of President Clinton's visit to Japan in October due to his wish to oversee the conclusion of the budget battle with Congress in the US, which also caused the postponement of the joint declaration and the reaffirmation of the US-Japan alliance that the Japanese side in particular had been desperately seeking. As will be examined in chapter six, confidence in the alliance was restored by the eventual announcement of the Japan-US Joint Declaration on 17 April 1996 (see Appendix) during President Clinton's rescheduled visit to Japan, and strides were made in resolving the Okinawa base problem by the mid-term report of SACO which concluded that a twenty per cent in US bases on Okinawa was possible, including the complete return of the site of Futenma marine airbase. Work on the scaling back of US bases on Okinawa continued throughout 1996, and the lengths that the Japanese government will go to in order to prevent the Okinawa base issue disrupting the alliance any further was shown by the SACO final report, and its approval for the construction at great expense of a floating heliport to replace that at

Futenma. But anxiety still remains that the most intense controversy over the presence of US forces in Japan since the 1960's will undermine domestic support for the alliance in both countries and endanger the future of the alliance.⁹⁶

Hence, North Korea's success in regaining its freedom of political, diplomatic and military manoeuvre through its exploitation of the nuclear issue against the US and South Korea threatens to have a major knock-on effect upon Japan's own security arrangements. Arguably, for Japan the main North Korean threat at present is not necessarily a nuclear one; a military security threat that can probably be dismissed over the short term due to the technological shortcomings of North Korea's nuclear programme and existing guarantees of security from the US. Instead, at present the main security threat is a political one. The North Korean nuclear crisis provided a warning of the North's capacity to weaken the US-Japan alliance. The worry is that North Korea might be able to continue its disruption of the US security system in the region over the long term and erode Japanese belief in guarantees of security at a time when these are also being challenged by friction over the Okinawa base issue. It is in this situation, with Japan uncertain about its political and security relations with the US, that a North Korean nuclear weapon could become a truly powerful military security threat.⁹⁷

Japanese diplomatic and military alliance response to the North Korean threat during and following the Nuclear Crisis

Faced with this series of military, diplomatic, and political challenges to its security Japan has responded with the means of diplomatic and military power at its

⁹⁶Interview with former MOFA official, Tōkyō, 11 December 1996.

⁹⁷In this connection it is interesting to note that Japan's attitude to the possibility of North Korea developing nuclear weapons has been different from its attitude towards China's acquisition of nuclear weapons in the 1960's. As John Welfield points out, China's test of its first nuclear device in 1964 aroused little concern in Japan at the time due to the faith in the US's power and unequivocal security guarantees. John Welfield, *Japan and Nuclear China: Japanese Reactions to China's Nuclear Weapons*, Canberra: Australian National University Press, 1970, pp. 2-35. The contrast with the reaction of Japan to a North Korean threat which has not even yet materialised in any definite form is great. Whilst, as has been discussed above, Japan does not see an immediate threat from a North Korean bomb, the fact that it is still considered a potential threat reflects declining Japanese confidence in the US's commitment to Asia.

disposal. As has been argued previously, the preferred option for Japan has been to achieve a diplomatic settlement of the North Korean problem. The use of diplomacy has been preferred by Japan as it offers the best hope of avoiding the problems of a military response to North Korea, and also because it provides Japan with an important role in shoring up the US alliance given the knowledge of the destructive effect that North Korean policy has had upon it.

Thus, Japan has been in agreement with, and an active participant in the US policy of trying to involve China in a resolution of the nuclear issue and the conclusion of a peace treaty on the Korean Peninsula. From the beginning of the nuclear crisis in the early 1990's, Japan conceived of China as playing an essential role *settokuyaku* or persuader role in getting North Korea to accede to IAEA inspections, and most of Japan's political initiatives have been directed at trying to bring China into line with US and South Korean policy on North Korean nuclear proliferation. Prime Minister Hosokawa described China in 1993 as the most 'influential body' in the dispute with North Korea, and stated in 1994 that, 'the role which China can fulfill is very great. We are expecting it to continue to pressure North Korea.'⁹⁸ Periodic Sino-Japanese talks signal Japan's faith in China's ability to defuse the crisis. The foreign ministers of Japan and China have held frequent talks on the issue, and one of the main points for discussion during Hosokawa's visit to China in March 1994 was China's attitude towards sanctions.⁹⁹ In the North Korean crisis, therefore, Japan finally seems to have found its long hoped for *watashiyaku* (bridging) role by acting as an intermediary between China and the US.

Japan has also made efforts to coordinate its policy closely with South Korea and within the framework of the US security system. Japan and South Korea have held talks on the North Korean problem in November 1993, March, April, June

⁹⁸*Asahi Shimbun*, 20 November, 1993, p. 1, *Asahi Shimbun Yûkan*, 25 February 1994, p. 1.

⁹⁹*Asahi Shimbun*, 21 March 1994, p. 1. The Foreign Minister, Kakizawa Kôji, in the House of Representatives Standing Committee on Foreign Affairs reiterated the importance of China's role in the nuclear crisis. For his comments, see Shûgiin, *Gaimuniinkaigiroku*, 3 June 1994, no. 3, p. 2; 8 June 1994, no. 3, pp. 3, 7.

and July 1994, and the frequency of prime ministerial level talks between the two countries seems to have increased in response to the crisis.¹⁰⁰ Japan has also participated in trilateral talks on nuclear policy with South Korea and the US in June and November 1994.¹⁰¹ Finally, on the diplomatic front Japan has supported US and South Korean proposals for four-way peace talks.¹⁰² Overall, then, Japan has displayed a similar diplomatic stance to the US and South Korea, and tried to contribute to the resolution of the North Korean security problem by limited diplomatic initiatives of its own.

On the military front, Japan's response to North Korea has been restricted by its constitution, the government's interpretation of which prevents the SDF from acquiring the type of weapons of power projection that would enable it to intervene directly in the event of a conflict. Japan's indirect participation in any Korean conflict would take the form of logistical and base support for US operations in Korea, involving the US Seventh Fleet stationed in Honshû, and air and marine units in Okinawa. Under the revised 1960 US-Japan Security Treaty, Japan is obligated, as was the case during the Vietnam War, to provide bases for US operations in Asia. Article 6 states that,

For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air, and naval forces of facilities and areas in Japan.¹⁰³

Japan is also likely to be obligated to provide bases for US military action in Korea under the 1978 Guidelines for Japan-US Defence Cooperation which state that Japan agrees to engage into research concerning the use by US forces of SDF bases in the event of a contingency in the Far East.¹⁰⁴ It also includes agreements on research into joint tactical planning and preparation; information exchange; the

¹⁰⁰*Asahi Shimbun*, 7 November 1993, p. 1; *Japan Times*, 26 March, p.1, 5 April p. 1, 6 June, p. 1 1994; *Korea Newsreview*, 30 July 1994, p. 4.

¹⁰¹*Japan Times*, 12 June 1994, p. 1; *Nikkei Weekly*, 21 November 1994, p. 5.

¹⁰²*Japan Times*, 18 April 1996, p. 5.

¹⁰³Glenn D. Hook, *Militarization and Demilitarization in Contemporary Japan*, London, Routledge, 1996, p. 202.

¹⁰⁴Asakumo Shimbunsha, *Bôei Handobukku Heisei 8nen*, Tôkyô, Asakumo Shimbunsha, 1996, pp. 296-303.

provision of logistical support and supplies; and the provision of transport and other facilities. In early 1994, as tensions on the Korean Peninsula increased in the run-up to the nuclear crisis, the Japanese government began secret consultations amongst its main ministries on how to respond to the military contingency. Part of these consultations already have been discussed with regard to the problems of internal security, and other consultations focused on how to guard coastal facilities, and whether or not Japan was able constitutionally to provide SDF and civilian bases to the US in a contingency. Many of these consultations proved inconclusive, and the government ministries were unable to clear away many of the 'grey zones' which were thought to infringe upon the government's interpretation that Japan cannot exercise the right of collective self-defence.¹⁰⁵ For instance, one likely demand by the US in the event of a Korean contingency was thought to be for the provision of minesweepers, an area of Japanese expertise and a repeat of Japan's role in the Korean War. Studies concluded that Japan could without any problems provide a minesweeping function to any US ships that happened to be in Japan's own territorial waters but not in waters close to the Korean Peninsula. But they could not decide if minesweeping operations in the 'grey zone' of international waters in the Straits of Korea would constitute an act of collective self-defence, even if intended to protect Japanese shipping, because it might also mean assisting by implication US ships also in those waters. By the height of the nuclear crisis, though, Japanese support for US forces in Japan has grown to include acceptance of possible participation in the enforcement of UN sanctions on North Korea 'within the bounds of the constitution'.¹⁰⁶ In late 1995 it was reported that US and Japanese forces held joint exercises to test the effect of interdiction in the event of sanctions.¹⁰⁷

¹⁰⁵Interview with former MOFA official, Tōkyō, 11 December 1996; Hasegawa Hiroshi, 'Nihon seifu kyokutō shinario, *AERA*, 6 June 1994, no. 23, pp. 13-15.

¹⁰⁶*Asahi Shimbun*, 22 March 1994, p. 2.

¹⁰⁷*Japan Times*, 23 November 1995, pp. 1, 3.

Japan has also shown a military response to the North Korean security threat by its participation in the TMD (Theatre Missile Defence) programme. The TMD initiative is based on joint development efforts in SDI (Strategic Defence Initiative) technology already carried out between US and Japanese companies since the late 1980's.¹⁰⁸ It has been given added impetus by the events of the Gulf War, which demonstrated the limitations of the Patriot missile system as an anti-missile defence, and the new threats of missile proliferation in the Asia-Pacific. Discussions between US and Japanese defence planners on an anti-missile system to counter the North Korean threat began in October 1993, with the visit of Director of the Defence Agency to Washington for talks, followed by the visit of Les Aspin, the US Secretary of Defence, to Tôkyô in the same month.¹⁰⁹ In June 1994 the US made its specific proposals on technology sharing with Japan, and a further round of talks was held in July 1995.¹¹⁰ Missile defence systems are no substitute for proper non-proliferation control regimes, but some commentators are optimistic that the TMD initiative will provide Japan with a real means with which to counter the North Korean missile threat.¹¹¹

To conclude on Japan's reaction to the North Korean security threat in the first half of the 1990's, it can be seen that it has played an important supporting role in US and South Korean diplomatic and military policy. All three powers have faced a similar range of threats, with Japan's own situation complicated by problems of internal security, and consequently all have responded by pooling their diplomatic and military power.

¹⁰⁸For a full description of US-Japan cooperation on the TMD project, see Yamashita Masamitsu, Takai Susumu, Iwata Shuichirô, *TMD: Seniki Dantô Misairu Bôei*, Tôkyô, TBS Buritanika, 1994, pp. 201-22.

¹⁰⁹Awanohara Susumu, 'My shield or yours?: US and Japan consider joint missile defence system', *Far Eastern Economic Review*, 14 October 1993, p. 22; *Asahi Shimbun*, 16 September 1994, p. 1.

¹¹⁰*Japan Times Weekly International Edition*, 10-16 July, 1995, p. 3.

¹¹¹For an example of this type of argument, see Komori Yoshihisa, 'Chiiki misairu bôei: Reisengo no Nichibei anpo kyôryoku no kirifuda', *Chûôkôron*, July 1993, pp. 102-11.

The actions of Japan and the other powers in the region would seem to suggest, then, that the nuclear crisis on the Korean Peninsula in the 1990's has been a repeat of security problems in earlier periods: characterised by balance of power politics manifested in diplomatic and military tension. North Korea and South Korea appear to have conformed to this model of behaviour with determined manoeuvring for strategic advantage over each other, seeing politics very much as a zero-sum game. The US, China and to some extent Japan have also been seen to act in the above fashion to protect their respective security interests.

The realist-high politics aspect of the North Korean security problem in the 1990's cannot be denied, and North Korea remains as an unresolved Cold War security problem. But as the North Korean security problem has developed in the mid-1990's, and especially since the passing of the nuclear crisis, it is also possible to argue that growing up alongside and beginning to supersede the traditional pattern of military and diplomatic conflict is another aspect of the security problem which is post-Cold War in nature. Policy-makers on all sides have become increasingly aware of this, have been able to perceive more clearly the underlying causes of the Korean security problem, and have discovered new opportunities to devise a solution to it. After the height of the nuclear crisis in 1993 to 1994, the Korean security problem revealed its true second nature which is rooted in problems of economic security, and thus requires a solution based on economic power. The economic aspects of the North Korean security problem will be explored next, and the opportunities for the use of a security policy reliant upon economic power in searching for a resolution to it.

THE CONCEPTUALISATION OF NORTH KOREA AS A PROBLEM OF ECONOMIC SECURITY AND POWER

Up to this point, it has been argued that the problem of conflict on the Korean Peninsula has been dominated in the past by big power politics and a search for

security based on diplomatic and military power, and, furthermore, that this pattern of conflict has been repeated during the North Korean nuclear crisis of the late 1980's and early 1990's. This type of realist scenario will continue to form the backdrop to the analysis of the Korean security problem and the approaches to it by the major powers in the region. But it is also important to note that there has been a gradual transformation in the nature of the security problem in the 1990's, with a move by the major powers away from seeing it just as a military problem towards one that involves questions of economic security and power. In the next section the argument will be put forward that there has been a growing recognition on all sides that the traditional approach to the problems of security on the Korean Peninsula is no longer adequate, and that there is a need for a new approach utilising economic power which can treat the very roots of the North Korean problem. In fact, the North Korea security problem represents an interesting 'hybrid' of Cold War military and diplomatic and post-Cold War economic problems. In theoretical terms, it is possible to see a shift from what once appeared as a rigid realist scenario towards the beginnings of a transitional phase resembling a liberal scenario, and one which, although devoid of democratisation, is marked by the first signs of the growth of international institutions and economic interdependency. As a result it has now become possible to think of the North Korean security problem as one in which a global civilian power could play a major role in promoting stability.

North Korean policy

The policy of North Korea has been described thus far as its reaction to the changed strategic realities of the post-Cold War era, and an attempt by it to restore its strategic position by the use of a variety of diplomatic and military tactics, with particular emphasis upon the 'nuclear card'. The aim of North Korean policy appears to have been to disrupt the US security system in Northeast Asia, to upset the balance of power around the Korean Peninsula, and to achieve the ultimate objective of drawing the US and Japan closer to the North's side. These aspects of

North Korean strategy are undeniable, but at the same time, the argument can also be made that the North's strategy has been related to and driven by considerations of both military *and* economic security, and that much of the diplomatic and military behaviour of the North is derived from the change in its economic circumstances. Therefore, the North Korean nuclear crisis and any subsequent security crises can be explained as the result of disturbances in the balance of power, but the underlying cause of these disturbances is related not just to a simple shift in the relative balance of economic power, but also to a change in the very nature of economic relations surrounding the Korean Peninsula.

The economic aspects of the origins of the North Korean security problem can be seen in the events of the mid to late 1980's, and the growing awareness by the North Korean regime of its desperate economic isolation following moves by the USSR and China to impose stricter terms of trade, and of its economic weakness in comparison to the South. Consciousness of economic vulnerability seems to have motivated the North to make diplomatic approaches to Japan in the early 1990's, and then to use the nuclear card to force access to Japan and the US in the mid-1990's. North Korea's attempts at rapprochement with Japan were motivated by a desire to gain a strategic advantage over the South, but for the North this strategic advantage was to be based on not just diplomatic contacts but also on economic contacts with Japan and possible access to US\$10 billion in compensation. Likewise, the drive against the US security system during and after the nuclear crisis was directed at gaining a breathing space for the North diplomatically and militarily, and, more crucially, at exerting the necessary pressure to bring about a peace settlement and to create opportunities for new economic links with the US and its allies. The nuclear crisis was designed by the North to restore both the military *and* economic balance on the Korean Peninsula. In this sense, the Agreed Framework of October 1994 was a success for the North because along with the diplomatic prestige gained of being seen to negotiate with the US superpower, it

also gained up to US\$4 billion in energy aid and promises for the normalisation of economic ties.

Judging the exact motivations behind the North's strategy is not easy given the closed nature of North Korean policy-making. But the external policy of North Korea after the mid-1980's and into mid-1990's fits with the internal policy measures of the regime to rebuild the economy following limited Chinese-style reforms. By the mid-1980's the deficiencies of the centrally planned People's Economy had become obvious even to the North's leaders, and this resulted in the establishment of the first Law on Joint Ventures in 1984, and the first ZFET (Zone of Free Economy and Trade) at Rajin-Sonbong in 1993, both of which were designed to attract foreign investment. By the mid-1990's and after the passing of the height of the nuclear crisis, the whole economic thrust of North Korea's foreign strategy has been even more overt. Severe flood damage in North Korea in 1995 exposed the fragile state of the North Korean agricultural system, and forced the regime to call for rice aid in mid-1995 and 1996. After much debate over the actual extent of the flood damage, the US, South Korea and Japan have extended food aid to the North through international humanitarian agencies. The suspicion of some commentators has been that the North has exaggerated the damage to extract more food aid than necessary, and that the North has actually used fears abroad about its collapse as a form of a diplomatic card to threaten the US, South Korea and Japan.¹¹² However, regardless of the real extent of the flood damage, what the North's appeals for aid have served to do is to focus the minds of policy-makers in these countries on the possibility of the North's collapse and the economic problems that could cause it. As a result, policy-makers have become more aware of what they already knew to some extent during the nuclear crisis, that the North Korean security problem is one originating in issues of economic security and isolation.¹¹³ The exact nature of the North Korean economic security problem will

¹¹²Komaki Teruo, Yamamoto Tsuyoshi and Wada Haruki, 'Kitachōsen no genjō to Nihon', *Sekai*, July 1996, p. 123.

¹¹³Denny Roy, 'North Korea as an alienated state', *Survival: The IISS Quarterly*, vol. 38. no. 4, Winter 1996-7, p. 22.

be examined in a later section. At this point, the degree of recognition by policy-makers in the US, South Korea and Japan of North Korea as an economic problem will be discussed, and how they are groping towards conceptions of security policy based on economic power that will allow these states to deal effectively with it.

South Korean policy

There has long been a recognition in South Korea of the importance of economic power and cooperation as the means to reduce tensions with North Korea over the short term, and to advance efforts for reunification over the longer term. For instance, in 1981 the South Korean government put forward as part of its reunification strategy a 'Proposal of Twenty Pilot Projects to Facilitate National Reconciliation and Democratic Reunification', which included measures such as opening communications between North and South to increase trade and exchange.¹¹⁴ In the Special Declaration for National Unification and Prosperity of July 1988, President Roh Tae Woo proposed to open doors for trade between North and South, and stated that the South would, 'not oppose nations friendly with us trading with North Korea provided that it does not involve military goods.'¹¹⁵ The collapse of East Germany in 1989 and the economic costs of its absorption into West Germany compelled South Korean policy-makers to consider ways to reduce the economic impact of possible reunification with the North. The policy of the extension of economic links to the North before reunification was believed to be one method to ensure this, and was the progenitor of the 'soft landing' argument later espoused by policy-makers in the US and Japan. The need for economic contacts with the North was acknowledged by the 1992 Agreement on Reconciliation, Non-aggression and Exchange and Cooperation Between South and North, Chapter three Article 15 of which stated the aim to, 'promote an integrated and balanced development of the national [Korean] economy and the

¹¹⁴Michael Haas, *Korean Reunification: Alternative Pathways*, New York, Praeger, 1989, pp. 45-7, 133-4.

¹¹⁵*Korea and World Affairs: A Quarterly Review*, vol. 12, no. 3, Fall 1988, pp. 629-30.

welfare of the entire people', and that the 'two sides [North and South] shall engage in economic exchanges and cooperation, including the joint development of resources, the trade of goods as domestic commerce, and joint ventures.' Article 22 was concerned with the establishment of a Joint South-North Economic and Exchanges Cooperation Commission.

As the North Korean security crisis has developed in the 1990's, South Korean policy-makers have become even more aware of its underlying economic nature, and the role that economic power and cooperation plays in its management and resolution. The South has continued with its efforts to gain an economic foothold in the North and to establish the type of economic dependency that can grow from it. In August 1994, just after the height of the nuclear crisis had passed, President Kim Young Sam announced the 'Unification Formula for the Korean National Community' which emphasised the need to increase mutual prosperity between the two Koreas and to create a single economic community on the Korean Peninsula. The South Korean government after the passing of a law to legalise trade with the North in November 1994, supported investment by South Korean *chaebol* in the North, and most importantly secured a key role in the KEDO Treaty of November 1995 with the agreement that it should provide the technology for LWRs. As the food aid problem has unfolded since 1995, the South Korean government has become concerned about the imminent collapse of the North, and this has led it, despite reservations about the extent of the flood damage, to provide food aid in mid-1995 and mid-1996. Fear of the North's collapse and the economic and human dislocation that it would entail have persuaded some sections of the South Korean government that the South has to press ahead with the creation of stronger economic links with the North. For example, the Korea Development Institute, a government think-tank, is reported to have argued in mid-1996 that the only way to prevent a North Korean collapse and to achieve a peaceful settlement of the North Korean security problem is to ease government restrictions on trade by South Korean firms with the North and to open up air, land and sea links. Similar to Kim

Young Sam's proposals of 1994, the Korea Development Institute recommends the creation of an economic community by 2020, which could then lead to economic integration between the two Koreas. The Institute also goes further in suggesting that Seoul should aid Pyongyang's entry into international economic bodies such as the World Bank, the IMF, and the ADB, in order to establish a joint framework for industrial projects.¹¹⁶

Among certain sections of the South Korean policy-making community, then, there is a recognition that the North Korean security problem is increasingly economic in nature and that progress on its resolution can be made through the extension of economic cooperation and dependency. However, it is also clear that political pressures within the South Korean government have brought about inconsistencies in policy towards economic links with North Korea. The tendency of South Korean policy, despite the rhetoric of the need to increase economic cooperation, has been to use economic power as a means to coerce the North and to put pressure on the regime to ensure its downfall. Hence, the South Korean government in August 1996 announced it would offer massive economic aid to North Korea but only if it responded to the four-way peace talks proposal, and contrary to the principles of the Special Declaration for National Unification and Prosperity, has exercised a virtual veto over the improvement of economic relations between the North and Japan.¹¹⁷ South Korea warned at the APEC summit in Ôsaka in November 1995 that it was suspicious of the North's trying to use the issue of rice aid to split Japan and South Korea, and the provision of aid by Japan to the North in June 1995 and June 1996 was only made with grudging South Korean approval and pressure from the US.¹¹⁸ The South has even resisted US efforts to provide food aid for the North, trying to block US moves to give humanitarian aid to the North in mid-1996; the South was eventually overruled by the US which went on to provide US\$2 million in aid. The South Korean

¹¹⁶*Japan Times*, 15 June 1996, p. 11.

¹¹⁷*Japan Times*, 16 August 1996, p. 4.

¹¹⁸*Asahi Shimbun*, 18 November 1995, p. 1.

government's reaction to the submarine incident of September 1996 further demonstrated the South's use of economic power to try to squeeze the North, with its unsuccessful attempt to halt cooperation on the KEDO project, and exploitation of the issue for domestic political gain.

In this respect, then, the South's approach to economic contacts with the North appears as inconsistent, given that in public policy announcements it has already admitted the importance of these contacts, and that they should not be exclusively between itself and the North but should also involve other nations in the region. The inconsistency of the South's approach is made more evident when set against the background of the knowledge that the North has proved unresponsive to economic pressure, and that it is the South which may eventually have to pay for heightened costs of reunification brought about by its own policy of isolating the North.¹¹⁹ Some policy-makers may argue that the North's economy is incapable of reform and that it is best to try to topple the regime as early as possible rather than to continue to prop it up. But it appears that the use of economic power to impose a form of negative economic sanctions on the North since the passing of the nuclear crisis is motivated less by considerations of economic and political reality, and more by domestic politics, considerations of face and national pride, and a reluctance to be seen to submit to North Korean pressure.¹²⁰

US 'soft landing' policy

Opinion in the US has also long recognised the central importance of economic issues in resolving security problems on the Korean Peninsula. As early as 1984, the academic Edward A. Olsen proposed a solution to the Korean problem based on the conception that, 'Instead of rejecting North Korea as an international outcast, the United States and other Western countries should consider fostering private sector economic overtures towards Pyongyang designed to reduce the level of

¹¹⁹Interview with leading Japanese academic, Tôkyô, 11 June 1996.

¹²⁰Mel Gurtov, 'South Korea's foreign policy and future security: implications of the nuclear standoff', *Pacific Affairs*, vol. 69, no. 1, Spring 1996, p. 30.

tension prevailing in Korea.¹²¹ Olsen went on to argue that the US should not just aim to maintain the *status quo* on the Korean Peninsula and an open-ended security commitment to the South, and that whilst South Korea was the only state really capable of integrating North Korea into the region, the US was the only state with the freedom to take initiatives and offer economic 'carrots' to the North. US initiatives in this area would set in motion a process of economic cooperation between the North and the other regional powers, including Japan. The window of economic contact would perhaps lead to reunification, and Olsen proposed that, 'by providing incentives for North Korea to participate more fully than it does in an interdependent, Western-oriented, global economic system we could enhance the prospects for peace stability and prosperity.'¹²² Finally, he noted that even if the efforts to integrate North Korea were not entirely successful that at least it would plant the idea of economic cooperation with the West in the minds of the North Korean regime and open a crack in its hitherto impenetrable armour.

Therefore, before North Korea's reemergence as an active security problem in the late 1980's, a body of US opinion, as represented by Olsen, was aware of the importance of economic power as a tool to begin the integration of North Korea into the region. As already described, the nuclear crisis of the early 1990's saw a diplomatic and military response by the US, especially in its initial stages. But the progression of the crisis also has seen an increased awareness by the US of the economic issues involved and the use of economic power to deal with it. At the start of the crisis few policy-makers were aware of the true state of the North Korean economy, but later on the use of economic pressure and incentives became a central element of the US response to North Korea. The type of positive sanctions or 'carrots' that appeared in Olsen's analysis were employed later on in the crisis, but before that, the first response of the US was to use the 'stick' of negative

¹²¹Edward A. Olsen, 'Modifying the United States' Korea policy: offering Pyongyang an economic carrot', in Tae-Hwan Kwak, Chongham Kim, and Hong Nack Kim (eds.), *Korean Reunification: New Perspectives and Approaches*, Seoul, The Institute for Far Eastern Studies, Kyungnam University, 1984, p. 153.

¹²²Edward A. Olsen, 'Modifying the United States' Korea Policy', p. 164.

economic sanctions as a more immediate means with which to counter the North's challenge in a crisis situation. US policy-makers considered economic sanctions imposed through the UN to be an effective weapon to reverse North Korean behaviour on inspections. Supposing a lack of opposition from China in the Security Council, the US's intention was to enforce sanctions in three phases. The first was to involve the stoppage of all technical and economic aid to the North; the second the cessation of all remittances to the North from North Korean descendants in Japan, and the third and final stage called for the interdiction on the high seas of all shipping traffic to the North.

As the crisis developed and as US-North Korean contacts improved, though, the US also began to contemplate the greater use of the 'carrot' and positive economic sanctions. The US recognised that the chief objective of North Korean strategy was to seek diplomatic and economic contacts with the US and Japan. Based on this recognition, the US began to work out a policy not to try to just 'buy off' or appease the North with short term economic concessions in order to moderate its behaviour, but also to try to use the concessions over the longer term to prevent the collapse of the North, and to establish a bridgehead for economic contacts that would create the conditions of interdependency necessary to resolve the North Korean security problem.¹²³ As the then US Secretary of State, Warren Christopher, stated in the Senate Committee on Foreign Relations:

Our goal in crafting the Framework was thus three-fold: to stop the North's existing nuclear programme; to devise a larger strategy that would address the threat posed by the North's missile programme and conventional build-up; and to reduce tensions in the region by bringing North Korea out of its international isolation into the broader community of nations.....The Agreed Framework not only stops North Korea's nuclear programme in its tracks. It provided the basis for reducing tensions in the region by opening the way for the establishment of more normal political and economic relationships between the United States and North Korea, and prospectively between North and South Korea.¹²⁴

¹²³James Cotton, 'The North Korea-United States nuclear accord: background and consequences', *Korea Observer: A Quarterly Journal*, vol. 26, no. 3, Autumn 1995, p. 343.

¹²⁴Prepared Statement of Secretary of State Warren Christopher, *North Korea Nuclear Agreement, Hearing Before the Committee on Foreign Relations, United States Senate One Hundred and Fourth Congress, First Session, 24 and 25 January 1995*, Washington DC, US Government Printing Office, 1995, pp. 10-14.

Hence, the Agreed Framework of October 1994 was designed as a positive economic sanction to provide North Korea with energy, but also to open economic contacts between the two countries. In January 1995, the US also lifted some restrictions on the economic embargo with North Korea imposed after the outbreak of the Korean War, and allowed the installation of telecommunication links between the US and North Korea; the use of credit cards in the North for personal travel; the opening of offices by US journalists in Pyongyang; the export of North Korean magnesite to the US; and financial transactions with the North conducted through the US banking system provided that they do not originate or terminate in the US.¹²⁵ As has been seen, the US has also provided food aid to the North in mid-1995, and in April 1996 the US is reported to have held unofficial talks with Kim Jong U, the vice-chairman of the North's External Economy Commission.¹²⁶

US policy-makers under the Clinton administration have moved increasingly towards the view that it is US economic not military power which holds the real key to the solution of the North Korea problem. In an interesting contrast with policy towards Cuba, another hangover from the Cold War, in the case of North Korea the US has been arguing since the height of the nuclear crisis for a prudent use of positive economic sanctions to promote interdependence and engagement. This 'soft landing' policy has met with domestic resistance, mainly from sections of the Republican party in Congress and other Republican party figures who see US policy as too concessionary to North Korea, and there have been continued efforts to block US financing of oil supplies to the North under KEDO, as in mid-1996 when Congress in a fit of parsimony cut the required budget of US\$26 million in half.¹²⁷ But the Clinton administration has shown itself determined to adhere to the 'soft landing' policy, and proved its resolve by continuing to push

¹²⁵*Korea and World Affairs: A Quarterly Review*, vol. 19, no. 1, Spring 1995, pp. 146-48.

¹²⁶*Japan Times*, 29 April 1996, p. 3.

¹²⁷For an example, ex-US Secretary of State James Baker is reported to have criticised Clinton administration policy on North Korea as 'flaky' and unlikely to resolve the North Korean security problem over the long term. *Japan Times*, 18 April 1996, p. 5.

through the KEDO project even during the seeming stalemate of the submarine incident of September 1996.

Thus, the US alongside North and South Korea has recognised and responded to the economic aspects of the North Korean security problem. The US's 'soft landing' policy is not always entirely clear in its conception due to its origin as an *ad hoc* measure to meet the immediate need of North Korea after the nuclear crisis, and in many ways is a catch-all phrase covering policies designed to prop up North Korea over the short-term through to policies aiming for the long-term integration of North Korea into the international community. But its adoption by the US indicates at least the realisation on the part of the US of the importance of economic power in handling the North Korean security problem. Michael J. Mazaar sums up the importance of economic relations, North Korean integration and engagement, and the KEDO project when he states the need for:

A rapid move to enmesh North Korea in a web of political and economic contacts. If such engagement does not proceed, five years from now Pyongyang will have nothing to lose in a new series of nuclear provocations. But if North Korean officials know that such actions will call into question growing foreign investment, international economic aid, and expanded political relationships, they may be more hesitant to engage in them.¹²⁸

Japan's conception of North Korea as a problem of economic security and power

As previously discussed, it is arguable that Japanese policy-makers have long held a more sophisticated view of the North Korean security problem than balance of power politics, and this includes a recognition that many of the North's diplomatic and military manoeuvres have been motivated by an overall strategy related to economics. Since the 1970's sections of policy-makers in the LDP and JSP at least have been aware of the North's economic difficulties and the efforts by the North to begin to rebuild its economy. Indeed, Japan was one of the targets of what Komaki Teruo has called North Korea's *daiichi no taigai keizai kaihō seisaku*, or first

¹²⁸Michael J. Mazaar, *North Korea and the Bomb*, p. 239.

economic liberalisation plan, in the 1970's which aimed to import new technology from Japan and Western Europe.¹²⁹ The ultimate failure of the plan and the debt problem that resulted from it will be discussed in a later section. Here it is worth noting that the debt problem raised in Japan awareness of, if not sympathy for, the North's economic problems, and that its foreign policy was increasingly becoming dominated by them.

The early stages of the security problem in the late 1980's confirmed the economic motivations behind the North's strategy, with Japan once again made a target of the North's interconnected diplomatic and economic manoeuvrings. The Three Party Joint Declaration of September 1990 contained vital agreements for the North on compensation, air and satellite links, and economic contacts with Japan. The ensuing talks on normalisation also raised economic issues, and most particularly the US\$10 billion in compensation that the North was seeking.

The emergence of the nuclear crisis in the early 1990's meant that the military aspects of the North Korean security problem came to the fore, and that, as has been seen, the Japanese government was forced to seek a supporting role for its allies' diplomatic and military approach to the North Korea. In part, the identification of North Korea as a threat to be met with military power was a reflection of the military realities of the day and the North's sabre rattling. But at the same time it was also a reflection of internal political change in Japan and its impact upon foreign and security policy. The LDP was defeated in elections in July 1993 and replaced by a coalition government which lasted until June 1994, consisting of the SDP and a mix of moderate and more radical conservative splinter parties from the LDP, led first by Hosokawa Morihiro and then by Hata Tsutomu. The ascendancy in this coalition of the power-broker Ozawa Ichirō, more 'hawkish' on matters of defence and intent on achieving for Japan a more 'normal' military role in regional and global security, helped to push Japan towards support for a tougher military posture on North Korea in the period prior to the height of the nuclear.

¹²⁹Komaki Teruo, Yamamoto Tsuyoshi and Wada Haruki, 'Kitachōsen no genjō to Nihon', *Sekai*, July 1996, p. 128.

However, even during this period of Ozawa's dominance it is clear that the military response to North Korea was viewed by many policy-makers as the least attractive and least effective. The moderate majority of Japanese policy-makers in the coalition government and the ministries, whilst fearful of the North's dangerous military threat, did not lose sight of the connection between the crisis and the economic problems of the North. This was a result of the traditions of Japanese security policy which have tended to downplay Japan's military role in favour of a diplomatic and economic one, and also of the nature of the coalition government, which included the SDP and ex-members of the LDP with a more liberal line on military security affairs. Certainly, the moderate Hata as Prime Minister in June 1994 at the height of the nuclear crisis continued to argue that Japan would seek to the very end a solution based on dialogue rather than military power.¹³⁰

The other main reason that Japanese policy-makers during the nuclear crisis did not focus solely on the military aspects and remained aware of the important economic side to the problem was that Japan might be called upon to impose sanctions in the North. As already explained, at the height of the nuclear crisis there was strong pressure from the US for Japan to participate in the event of UN sanctions by cutting the flow of remittances from the North Korean community in Japan to the North. A fragile consensus was reached within the government that Japan would cooperate with the sanctions efforts in line with a UN mandate. Japanese policy-makers were also aware that the imposition of these sanctions would have, as one put it, a 'ruinous effect' upon the North Korean economy, and that the exercise of this form of direct economic power was one of the most effective, if hazardous, means of punishing the North for its behaviour.¹³¹ Even during the height of the crisis, Japan's role in the implementation of sanctions meant that the economic aspects of the North Korean security problem could not be forgotten.

¹³⁰Shûgiin, *Gaimuniinkaigiroku*, 4 March 1994, no. 4, p. 12. For the same opinion repeated by the Japanese MOFA: Shûgiin, *Gaimuniinkaigiroku*, 8 June 1994, no. 4, p. 2; 17 June 1994, no. 5, p. 1.

¹³¹Shûgiin, *Gaimuniinkaigiroku*, 13 June 1994, no. 4, p. 2.

The reduced tensions in the nuclear crisis following ex-President Carter's visit to North Korea in June 1994, further confirmed to Japanese policy-makers the economic nature of the North Korean problem. In the period immediately after, sanctions have remained as a contingency in the event of the North retracting its promises on the nuclear programme. But more significantly, the beginnings of US-North Korean dialogue have begun to indicate to Japanese policy-makers the opportunities for the use of Japan's own economic power to contribute to a resolution to the security problem by a process of engagement and the provision of positive economic sanctions. US-North Korean agreements also offered a way for Japan to be involved in the opening of economic links with the North, firstly through its agreement to support KEDO, and secondly by the beginning of moves in early 1995 to reopen negotiations on the normalisation of political and economic ties with the North.

One accusation from South Korean sources has been that Japan is again merely taking the chance to engage in diplomatic manoeuvres to trade off the North against the South. But it is more persuasive to view Japanese policy during and after the height of the nuclear crisis as being consistent with earlier policy outlined above of viewing North Korea as a neighbouring state that has to be engaged and dealt with, the essential starting point of which is diplomatic and economic relations. Thus, Prime Minister Hata stated in the Diet in March 1994 that:

North Korea is a neighbouring country and this is an undeniable reality. However, the problem is that it is a closed country. Due to this fact, I think it is important for the peace of Northeast Asia to try to create a more open environment. We have to work diligently at this. The worst situation would be for North Korea to revert to its isolation.¹³²

This type of thinking about the nature of the North Korean security problem and how to deal with it based on a process of diplomatic and economic engagement has come to penetrate increasingly the policy debate in Japan as the nuclear crisis has abated, US-North Korea ties have been seen to progress, and as the dire situation

¹³²Shūgiin, *Gaimuniinkaigiroku*, 4 March 1994, no. 4, p.12.

of the North Korean economy has become more fully known. The debate was pushed forward further by the advent of a LDP-SDP coalition in June 1994. This coalition lead nominally by the socialist Murayama Tomiichi coincided with, or was perhaps even partly caused by, the escalation and then sudden fall off in tensions in the nuclear crisis. The combination of two coalition parties generally more friendly towards North Korea meant the reemergence of a policy following the principles of engagement towards the North.¹³³ The replacement of Murayama in July 1996 by the LDP's Hashimoto Ryūtarō, regarded as more outspoken in his views on Japan's role in Asian security and less sympathetic towards demands from both Koreas for apologies for colonial rule, has not altered fundamentally Japanese policy, but has perhaps reduced Japanese enthusiasm for immediate engagement with the North.

The official Japanese policy line which has existed since the failed series of normalisation talks in the early 1990's is that apart from contributions of humanitarian aid via international agencies in response to North Korean special requests, Japan will not provide official aid or establish economic relations until normalisation has been completed. The problems of the normalisation process have, then, put a hold on practical policy measures by the Japanese state to engage North Korea economically. But it is clear that at least in the security discourse amongst policy-makers there has been a move towards a conceptualisation of the North Korean security problem as one to be dealt with by economic power. The language of the MOFA and debates on security in the Diet has begun to reflect this, with the use of terms such as 'interdependency' to describe the correct path of North Korea future relations with Japan and its other neighbours. In November 1994 following the negotiation of the Agreed Framework, the then Foreign Minister, Kono Yōhei, noted that KEDO was an important step, 'to bring North Korea into international society. The deepening of North Korea's interdependence

¹³³Hong Nack Kim, 'Japan's North Korea policy in the post-Cold War era', *Korea and World Affairs: A Quarterly Review*, vol. 18, no. 4, Winter 1994, pp. 690-2.

with international society will serve our security interests better than the North's current isolation.¹³⁴

Over time Japanese policy-makers have also begun to adopt the same terminology as their US counterparts and Warren Christopher. Foreign Minister Ikeda Yukihiko stated in February 1996 that, 'the task not just for Japan but also for other countries with an interest is to create for North Korea a more open system and to bring it into international society by means of a "soft landing"'.¹³⁵ The idea of the 'soft landing' and preparation for the possible collapse of the North Korea regime has penetrated the security discourse of other political parties in addition to the LDP. Representatives of the Shinshintô party also have expressed concern that a 'soft landing' should be readied for the North, and for the need to deepen interdependence early, even suggesting that it might be feasible to speed this process along by the integration of North Korea into regional bodies such as APEC.¹³⁶

One prominent policy-maker within the LDP, Katô Kôji, General Secretary of the LDP under the two Hashimoto administrations, has gone further in asserting the need for the engagement and a policy utilising economic power in dealing with North Korea. In an interview in May 1995 he commented that:

When we talk of economic cooperation there is a great difference between the levels of Japan and North Korea, and it is this which must become the point of breakthrough in Japan-North Korea relations. If a breakthrough is achieved in this problem the general atmosphere in Asia will improve--and this included aspects of security as well. Japan-North Korea dialogue is extremely important for Northeast Asian security.¹³⁷

Hence, in policy-making circles, including all the major political parties, it is possible to observe the beginnings of the use of the language of engagement, economic cooperation, interdependency, and the 'soft landing' to describe the

¹³⁴Shûgiin, *Gaimuniinkaigiroku*, 28 November 1994, no. 3, p. 26.

¹³⁵Shûgiin, *Gaimuniinkaigiroku*, 11 February 1996, no. 3, p. 7. For another statement by Ikeda on Japan's foreign policy towards North Korea, see, Ikeda Yukio, 'Japanese Asia-Pacific diplomacy', *Japan Quarterly*, vol. 43, no. 4, October-December 1996, p. 7.

¹³⁶Shûgiin, *Gaimuniinkaigiroku*, 7 February 1996, no. 2, p. 19.

¹³⁷Kitachôsen o sekkyokuteki ni shien subeki ka', *Gendai Koria*, no. 351, May 1995, p. 17.

future of security relations between Japan and North Korea. At the rhetorical and conceptual level there has now been established a clear linkage between economic power, positive sanctions, and security policy.

This linkage between economics and security with regard to North Korea is also evident in academic opinion. On a broader regional scale which includes North Korea, Akaha Tsuneo has noted the importance of integration based on state-led economic cooperation as a force for stability in Northeast Asia.¹³⁸ On the specific case of North Korea, prior to the advent of the nuclear crisis, Sakamoto Yoshikazu had already perceived the security problem of North Korea to be one of economic security, arguing for the Japanese government to provide large scale economic cooperation to aid inter-Korean peace.¹³⁹ Since the nuclear crisis, scholars such as Komaki Teruo have continued to stress that it is important for Japan to help to stabilise North Korea through the extension of economic links.¹⁴⁰ Watanabe Toshio has noted that this type of approach would have, 'important significance as a security policy for Northeast Asia.'¹⁴¹ Izumi Hajime has argued that Japan should take measured steps towards normalisation and to use its economic strength to help stabilise the North, including taking an even more active role in KEDO by the provision of crude oil supplies.¹⁴² Yoshida Yasuhiko has proposed greater food aid from Japan to North Korea.¹⁴³ The concept of a link between economics and security in addressing the North Korean security problem is also evident in Funabashi Yôichi's more recent work on APEC. He argues that Japan's global civilian power can be expressed by support for international economic institutions

¹³⁸Akaha Tsuneo, *Datsureisen Jidai no Hokutô Ajia Chiiki ni okeru Keizai Kôryû--Sono Hikari to Kage*, Unpublished paper, Tôkyô, February, 1995.

¹³⁹Sakamoto Yoshikazu, 'Rejecting the military path', *Japan Echo*, vol. 13, no. 1, Spring 1996, p. 60.

¹⁴⁰For examples of Komaki's views: *Asahi Shimbun*, 29 April 1996, p. 8; Komaki Teruo *et al.*, 'Kitachôsen no genjô to Nihon', p. 135; 'Nanboku kankei no genjô to tenbô', Unpublished paper presented at Tenth International Symposium Concerning the Reunification of the Korean Peninsula, Tôkyô, March, 1996, p. 9.

¹⁴¹Watanabe Toshio, 'Hôroku no kiki', p. 31.

¹⁴²Izumi Hajime, 'Kitachôsen Hôkai ni dô suru: futômeisa fuyasu Kin Shô Nichi no ugoki', *Sekai Shûhō*, vol. 77, no. 16, 30 April 1996, p. 11; *Yomiuri Shimbun*, 30 October 1996, p. 4.

¹⁴³Yoshida Yasuhiko, 'Kitachôsen ni kaza ana o akeru ni wa', *This is Yomiuri*, November 1996, pp. 202-3.

such as APEC and can contribute generally to stability in Northeast Asia, and also create the conditions for interdependency to resolve the problems of national division between China and Taiwan and North and South Korea. For Funabashi, this type of policy represents a true type of comprehensive security policy by making economic power a central element.¹⁴⁴

The ideas of Funabashi and others do not go unopposed in Japan. A second school of academic thought argues that economic cooperation with North Korea simply encourages its aggressive behaviour, and that at any rate attempts to help to restructure the North Korean economy are bound to fail due to the regime's inflexible ideology.¹⁴⁵ Some even propose, in a way similar to certain sections of opinion in South Korea, that instead of the soft landing policy the economic isolation of the North should be continued or even tightened with the eventual aim of inducing the collapse of the regime.¹⁴⁶ However, this type of opinion is in the minority in Japan, and the most influential school of academic thought supports the engagement approach to North Korea.

SUMMARY

The main conclusion of this section on policy-making and academic attitudes towards the North Korean security problem has been to demonstrate that there has been a slow shift in the post-Cold War era of conceptions of the North Korean security problem. The military and balance of power conceptions of the problem continue to set the parameters of much of the conflict that has been seen in the post-Cold War period. But at the same time, it has becoming increasingly clear to all parties involved that North Korea's military behaviour is generated by economic

¹⁴⁴Funabashi Yôichi, *Ajia Taiheiyô Fujion: APEC to Nihon*, Tôkyô, Chûôkôronsha, 1995, p. 371.

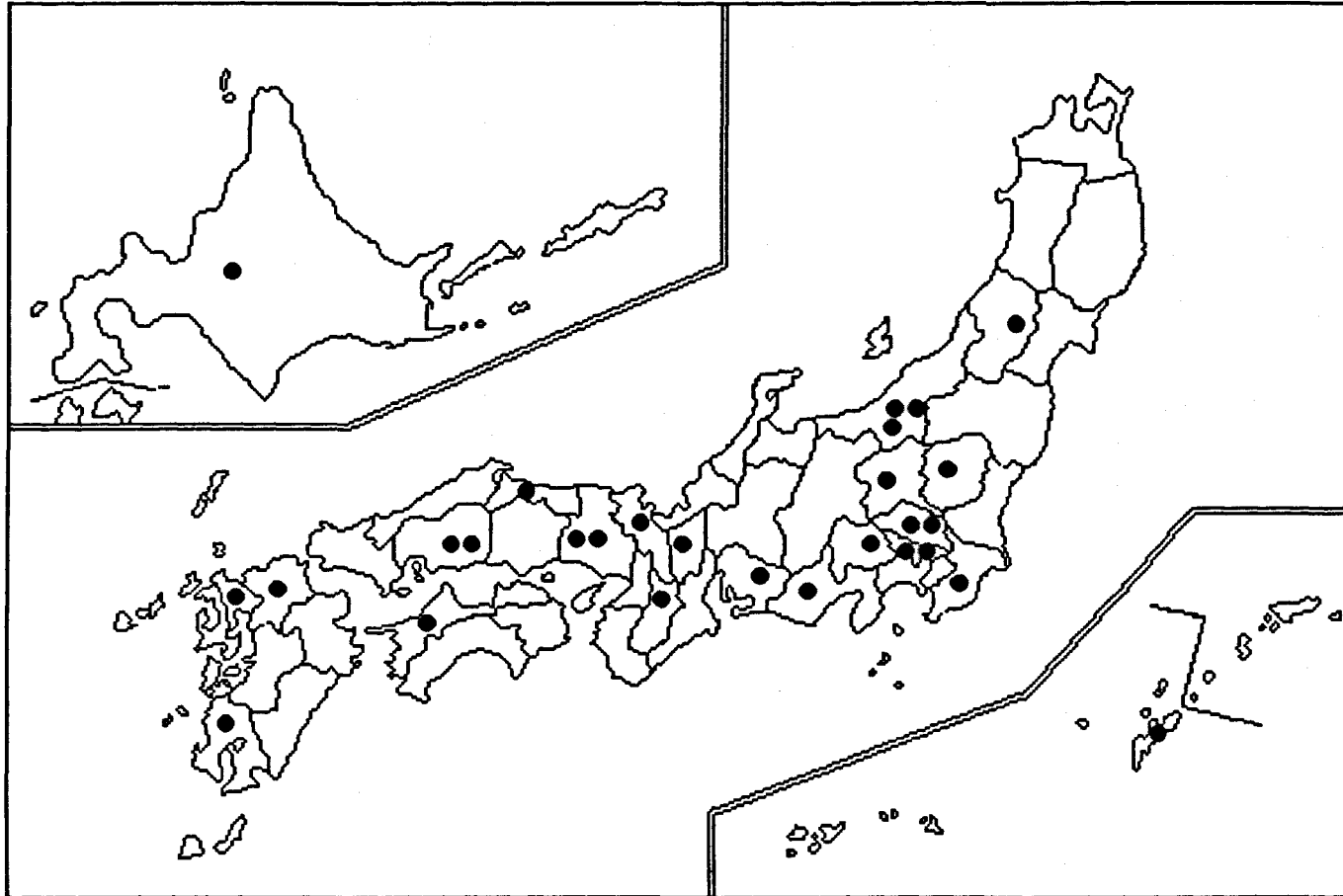
¹⁴⁵For a Japanese view of North Korea that sees it as incapable of overcoming the dilemma of maintaining an authoritarian regime at the same time as introducing economic reforms, see Kamiya Fuji, *Chôsen Hantôron*, Tôkyô, PHP Kenkyûjo, 1994, pp. 254-97.

¹⁴⁶Araki K., *Kitachôsen, Nihon Daikonran Shimurêshon to Teigen*, Tôkyô, Gendai Koria Kenkyûjo, 1994, p. 75; Satô Katsumi, 'Kitachôsen e no keisuirô enjo wa nani o motarasu ka', *Chian Fôramu*, May 1995, pp. 18-28. Interview with member of *Gendai Koria*, editorial board, Tôkyô, 25 June 1996.

insecurity. Thus, economic power has assumed a crucial role in conceptualising and dealing with the North Korean security problem. This trend can be observed at different stages in the policy-making opinion of the US, South Korea, Japan, and even North Korea. Academic opinion has also taken up the economic approach and now seems to be moving towards a theoretical conception of security policy which links a resolution to the possible exercise of Japan's economic power. This type of thinking has existed since the mid-1980's, but it is only with the fading of the immediate danger of the nuclear crisis that it has been allowed to come to the fore and compete with conceptions of security on the Korean Peninsula connected traditionally with military and diplomatic power. Hence, it can be seen that through the mechanism of KEDO the US has embarked on a state-led attempt to construct a regional security system which uses economic rather than military power as its principal tool of security policy. In fact, in many ways it could even be considered that, despite its great disposal of military power on the Korean Peninsula, it is the US, represented by the State Department, which is beginning to act like a global civilian power towards North Korea.

The emergence of these conceptions in academic opinion and on the policy-making level then poses the question of whether or not Japan is also able to articulate specific security policy measures utilising economic power that can respond to the North Korean problem. The likes of Funabashi have hinted that it may be possible, and that North Korea is amenable as a test case for the use of economic power in the service of Japanese security policy and the model of global civilian power. The next step, therefore, is to transfer the more complete theoretical model of the global civilian power outlined in chapters two and three to the example of North Korea and to try to investigate the possibilities and limits of Japanese economic power.

Map: Regional distribution of the constituencies of Diet members visiting North Korea 24-28 September 1990 and 28-30 March 1995



● Represents one individual Diet Member

5 Japanese economic power and the North Korean security problem

The aim of this chapter is to test the model of global civilian power and Japanese economic power for security purposes in relation to the problem of North Korea in the 1990's. The procedure will be to follow that of chapter two in which it was argued that two types of security problems related to economic power can be identified. Firstly, the use of economic power to help minimise the occurrence of conflicts between states; and secondly, the use of economic power to protect a state in the event of conflict coming close to or being realised between states. The first type of economic power revolves around the conception of creating an environment conducive to peace and cooperation. The second type of economic security policy is split into two subdivisions. The first of these is economic power used to defend against and limit the deprivation of welfare brought about by economic, political, or military conflict. The second is the use of economic power to make a state the imposer of economic costs on another state in which it is close to conflict, or in conflict with, in order to compel it to desist from a course of economic, political or military actions which is perceived to threaten the state's security. As outlined in chapter two, the extent of indirect and direct economic power is gauged by the degree of vulnerability of the components of the economy, and is determined by the factors of resilience, adjustment, substitution, and availability.

Given these definitions of economic power, and the descriptions in the previous chapter of Japan's perception of the North Korean threat during the nuclear crisis, it is apparent that part of Japan's exercise of economic power falls into the last of the above categories, with the possible use by the Japan state of economic sanctions imposed on North Korea to coerce it into submitting to IAEA inspections. Therefore, the use of negative economic sanctions as one option for Japanese economic power and security policy with regard to North Korea needs to be considered.

However, more crucially, and as has been revealed from the discussion on the conceptualisation of the North Korean security problem before and after the nuclear crisis, Japanese economic power also needs to be tested with regard to the first category--that it is the use of economic engagement and power to create an environment which alleviates the causes of tensions between states. The strategy of the 'soft landing' and the creation of conditions of interdependency and integration expounded by policy-makers on all sides of the North Korean security issue, including Japan, argues that it falls into the above category. This section will then investigate not only the areas in which Japan has been seen to use economic pressure or direct power for its security ends, but also how the growth of engagement and indirect power has contributed to security policy.

In order to examine the extent of Japanese economic power in relation to North Korea the procedure will be to follow chapter three and to investigate in turn each of the components of economic power: production, finance, trade, communications, energy, and welfare. First, a brief description of each of these components in the North Korean economy will be given so as to reveal the areas of vulnerability--judged by the factors of resilience, adjustment, substitution, and availability--to direct and indirect economic power. Following this, the links between each of the components in the North Korean economy and those in the Japanese economy will be examined. The examination of the Japanese economy and its components in chapter three has made it possible to delineate the extent of Japanese economic power and then to dovetail this with an analysis of the vulnerability of the North Korean economy in relation to Japan. The aim is to demonstrate which of the components is most likely at present and in the future to yield direct and indirect economic power to Japan, and thus the potential ability of Japan as a global civilian power to influence and moderate North Korea's behaviour in the field of security.

THE PROBLEM OF SOURCES

Before moving on to examine in detail the individual components of economic power, it is necessary first of all to note the general problems associated with studying the North Korean economy in relation to Japan. One problem acknowledged universally by all researchers on the North Korean economy, whether in Japan, South Korea, or in other countries in the West, is the lack of reliable information and statistics. Up until 1965, North Korea published statistics on the economy and the results of economic plans, but since that period researchers have been forced to rely on the speeches of politicians for statistical reports, and in particular Kim Il Sung's New Year address.¹ In 1974 Joseph Sang Hoon Chung commented that the statistical evidence on the North was, 'fragmentary, often misleading, and discontinuous.'² Since the 1970's economic statistics have become even more sporadic in their reporting, and researchers have been forced to rely on a 'Kremlinology'-type approach and to scrutinise and glean information from official announcements. The difficulties of using North Korean statistics has been added to by the fact that as in all centrally-planned socialist economies they are prone to inconsistencies, and in the case of North Korea this tendency has been made worse by competition with South Korea, and the need for the North Korean regime to boast of economic success for national prestige. It seems that even Kim Il Sung had occasion to be suspicious of his regime's economic statistics. In 1980, he is reported as having accused the ministries of reporting false rice figures. In 1990 the KWP newspaper the *Nodong Shinmun* also carried a warning to economic functionaries not to inflate production statistics.³ The inaccuracies of North Korean statistics means that they have to be supplemented with South Korean and Japanese sources, most notably the Bank of Korea and Japan's JETRO.

¹Komaki Teruo, *Chôsen Hantô: Kaihô Suru Higashi Ajia to Nanboku Taiwa*, Tôkyô, Ajia Keizai Kenkyûjo, 1986, pp. 82-3.

²Joseph Sang-hoon Chung, *The North Korean Economy: Structure and Development*, Stanford, California: Hoover Institution Press, 1974, p. xiv. Chung provides a detailed overview of the problems of compilation of North Korean statistics in Appendix B, pp. 169-77.

³Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1990, p. 34.

THE NORTH KOREAN PRODUCTION SYSTEM

In order to determine the degree of Japanese economic power over North Korea, it is first necessary to investigate the limits of North Korean vulnerability. To do so it is important to analyse in some detail the structure of the North Korean production system, as this will then reveal the reasons behind North Korea's increasing economic vulnerability in the 1990's, and the areas where Japanese economic power can influence North Korea's security behaviour.

History and structural characteristics

The production structure of the North Korean economy and the strategies of economic development pursued by the North Korean regime have resulted from a mix of independent *juche* ideology, and, as so often in Korean affairs, influences from the other powers in Northeast Asia. Japan annexed Korea in 1910 and took an important role in the Peninsula's economic development. But even though Korea was governed as one administrative unit, a *de facto* economic North-South division of Korea was instigated by the Japanese, which has persisted into the post-colonial era and continued to influence the North's development strategy. The northern area of Korea is endowed with raw resources, including coal (anthracite, brown coal, and lignite); ferrous metals, non-ferrous metals (gold, silver, copper, and lead), and non-metallic resources (magnesite, fluorite, pyrite, salt and talc). The northern half of the Peninsula is also mountainous, making it ideal for hydroelectric power generation, but less suitable for agriculture. As a result of this difference in natural endowments, during the colonial period the resources of the North were exploited for the development of heavy industries in metals, chemicals and power generation (in 1942 the hydroelectric plants of the north produced 42% of all Korea's energy supply⁴). The development of the Korean economy to suit the Japanese colonial priorities lead to an imbalance in development between the

⁴Joseph Sang-hoon Chung, *The North Korean Economy*, p. 57.

northern and southern regions, with the north relatively strong in heavy industry but deficient in agriculture, and the south given over to rice cultivation.⁵ Moreover, the colonial links with the Japanese economy meant that while the north of Korea's heavy industry was well developed, it was unable to develop light industries such as textiles and machine tools. The northern economy was dependent upon Japanese markets to give it viability with raw materials, semi-finished, and war materials imported from Korea into Japan for finishing in Japanese factories. Apart from the north-south imbalance in the economy, Japanese colonial rule also contributed to an imbalance within the northern half of the economy itself. The interior of the north remained underdeveloped compared to the coastal regions which were connected to the Japanese imperial economic network by sea, and the railway lines built by Japan ran north-south along the coasts meaning that there was little integration between the east and west coasts of the north.

The Japanese colonial period, therefore, left a legacy of variegated development on the Korean Peninsula which Chung has described as leading to the 'malformation' of the North Korean economy.⁶ The problems of the colonial economy were then compounded by the break-up of the Japanese empire at the end of World War II. Towards the end of the war, Japanese desperation to maximise production meant that much of the existing plant in the north was worn out and left unreplaced.⁷ The end of colonial rule meant that Japanese management expertise was lost and that both the new states of North and South Korea were severed abruptly from their traditional markets in Japan. Added to this, the division of North and South left each side with over-specialised and unbalanced economies.

Komaki Teruo points out that following independence the economic structure created by the colonial period has continued to exercise a strong influence on North Korea's production system and economic strategy. Similar to other ex-colonies and

⁵Komaki Teruo, *Chôsen Hantô*, p. 84.

⁶Joseph Sang-hoon Chung, *The North Korean Economy*, p. 58.

⁷Eui-Gak Hwang, *The Korean Economies: A Comparison of North and South*, Oxford, Oxford University Press, 1993, p. 19.

developing nations, North Korea was faced with the problem of overcoming the effects of colonial rule and achieving economic growth on an independent basis. Despite its close relations with the USSR and China, North Korea intended, in the same way as other newly independent states in Asia and Africa, to avoid over-dependence on the major post-War and Cold War powers. North Korea can also be viewed in the context of other developing nations, in that its economy was largely resource-based, it sought to encourage internal economic development, and that it experienced the same problems of a shortage of capital and technology. Hence, even though North Korea clearly has been a member of the socialist bloc, it has also sought to develop economic links with other developing nations in the Third World and Nonaligned Movement, and continued to stress the need for South-South cooperation.⁸

However, having noted the influence of the colonial and developing world on the North Korean economy, the impact of the socialist world on the North's production structure is also undeniable. The DPRK was founded on 9 September 1948 under the tutelage of the USSR, and this placed it firmly within the socialist economic sphere. This ensured the continuation of the North's severance from its former colonial economic partner Japan, which was now placed within the US's economic sphere. The US's containment of North Korea as part of the communist world also excluded it from contacts with South Korea, the US's other client state in the region. The physical division of the Korean Peninsula, as has been seen, had implications for the North's economic development, but the ideological division of the two Koreas also gave the North's development strategy a particular slant. The most obvious effect of North-South rivalry has been that the North has devoted an ever larger proportion of spending to military production; up to 22.4 per cent by the 1990's and a major drain on the economy.⁹ The other effect has been for North Korea to devote expenditure to huge construction projects to demonstrate the

⁸Komaki Teruo, *Chôsen Hantô*, pp. 83-4.

⁹Watanabe Toshio, 'Hôroku no kiki o dasshiuru ka--purorôgu', in Watanabe Toshio and Tamaki Motoi (eds.), *Kitachôsen: Hôroku ka, Sabaibaru ka?*, Tôkyô, Saimaru Shuppankai, 1995, p. 17.

North's economic prowess to the South, placing further strain on the economy. The beautification of the capital Pyongyang has received priority, with a reported US\$7 billion spent on housing projects by 1989. Examples of the overspend on construction projects include the US\$4.5 billion devoted to facilities for the 1989 Thirteenth World Festival of Youth and Students; and the world's tallest hotel in Pyongyang, 105 storeys high, a massive 'white elephant' standing empty since the completion of its exterior in 1989.¹⁰

As a socialist state, North Korea followed the expected path of development based on a centrally planned economy and close links with the USSR, China, and the rest of the communist bloc. But there are also differences in North Korea's socialist strategy which Komaki has characterised as the 'socialism of a developing nation'. If the USSR, East Germany, and Czechoslovakia could be described as developed socialist nations in the period before the end of the Cold War, then North Korea with its background as developing nation could be termed as a 'semi-developed socialist nation' (*shakaishugi chûshinkoku*).¹¹ The closest comparison to North Korea was socialist Romania, which also possessed the necessary level of technology to produce independently certain industrial products, but which was also seeking to raise income per capita and to diversify the production base by the greater application of labour and technology. Furthermore, similar to Romania, the political and economic system encouraged a style of independent economic development, or at least an ideology that stressed an attempt to avoid dependence on the major powers. As the *Nodong Shinmun* stated in 1963:

Economic independence is the basis of political independence. Economic dependence on foreign forces entails political dependence on those forces. Economic subordination leads to political subordination.¹²

In the case of North Korea, this ideology has taken the form of *juche*. First enunciated by Kim Il Sung in the 1950's, *juche* had risen to become the main

¹⁰Watanabe Toshio, 'Hôroku no kiki', p. 23; Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1989, p. 29.

¹¹Komaki Teruo, *Chôsen Hantô*, p. 85.

¹²*Nodong Shinmun*, 11 April 1963. Quoted in Joungwon Alexander Kim, 'The "peak of socialism" in North Korea: the five and seven year plans', *Asian Survey*, vol. 5, no. 5, May 1965, p. 255.

ideological prop of the regime by the 1960's, emphasising independence, self-reliance, and self-defence.¹³ The *juche* ideology was given added strength by the Sino-Soviet split of the 1960's and North Korean doubts about both the USSR and China as reliable political and economic partners. North Korea has also tried to export this ideology to other states in Africa and Latin America.¹⁴ *Juche* has given a particular stamp to North Korean economic development and the production system by reinforcing the need for independent economic development, and often stressing the importance of ideology over practical economic management. The reality has been that North Korea has not always been able to practice *juche* beyond the rhetorical level and has been forced to rely economically on the USSR and China. But its influence in giving resilience as well as rigidity to the North Korean economy should not be underestimated.

Economic plans

Following the imperative to develop the economy independently and along socialist lines, the North Korean regime embarked on the creation of a command economy in the post-colonial period. This necessarily involved the socialisation of industry, begun by a decree on nationalisation passed by the Provisional People's Committee on 10 October 1946.¹⁵ Under the decree, 90 per cent of all industry was confiscated by the state, with the result that 72.4 per cent of gross industrial product was placed under state control. Smaller private manufacturing was tolerated until 1947 when it was absorbed into state cooperatives. By 1956, 98 per cent of gross industrial product was accounted for by state industries, and in 1958, the

¹³For an explanation of *juche* ideology, see Wada Haruki, 'Yūgekidan kokka no naritatsu to tenkai', *Sekai*, May 1993, pp. 268-76; and Suzuki Masayuki, *Kitachōsen: Shakaishugi to Dentō Kyōmei*, Tōkyō, Tōkyō Daigaku Shuppankai, 1994, pp. 36-44.

¹⁴Han Shin Park, 'Two ideologies in one culture: the prospects for national unification in Korea', in Tae-Hwan Kwak, *Korean Reunification: New Perspectives and Approaches*, p. 134.

¹⁵Joseph Sang-hoon Chung, *The North Korean Economy*, p. 59.

total nationalisation of industry was completed, although it is believed that some private manufacturing continued up until the 1970's.¹⁶

State control over agriculture began with a measure by the Provisional People's Committee on land reform on 15 May 1946. 54 per cent of land was confiscated from Japanese landowners and redistributed to 724,000 tenants and small farming households. The process of land reform gave an initial boost to small private land owning, and collectivisation was delayed by the Korean War. In 1956, 95 per cent of all cultivated land was still held privately, and 92 per cent of agricultural output was from private farms. But after the Korean War, measures to achieve collectivisation were put in place, and by August 1958, the process was declared as complete. In 1959, private ownership of land was abolished officially. Collectivisation took two forms: collective farms and state farms, the latter of which aimed to create larger land units for more efficient production and the application of machinery and pooled labour. The complete socialisation of the North Korean economy was confirmed by the new constitution of 1972, which acknowledges no private ownership and rules that all means of production belongs to state and collective organisations.¹⁷

In addition to socialisation, North Korean economic policy in the immediate post-colonial period and beyond has put great emphasis upon rapid growth rates for the production system. Kim Il Sung stated publicly that high rates of growth were sustainable under the socialist system, and in 1969 dismissed the idea that growth could not continue at 6 to 7 per cent a year.¹⁸ The dash for economic growth has meant high state investment in producer and capital goods, compared to a low priority for consumer goods.¹⁹ Chung estimated that from 1949 to 1969,

¹⁶Nena Vreeland, Rinn-Sup, Peter Just, and Philip W. Moeller, *Area Handbook for North Korea*, Washington DC., Foreign Area Studies of American University, 1976, p. 226; Joseph Sang-hoon Chung, *The North Korean Economy*, p. 226.

¹⁷Chong-Sik Lee, 'Land reform, collectivization and the peasants in North Korea', in Robert A. Scalapino (ed.), *North Korea Today*, New York and London, Praeger, 1963, pp. 82-94; Nena Vreeland, *et al.*, *Area Handbook for North Korea*, pp. 226, 258; Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 5-6, 10-32.

¹⁸Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 223.

¹⁹Komaki Teruo, 'Current status and prospects of the North Korean economy', p. 46.

between 44 and 67 per cent of total state investment was in industry, and out of that amount between 64 and 93 per cent was in heavy industry, including electrical power, coal, mining, metallurgy, and machine building.²⁰ Investment in industry has remained high, with 63.4 per cent of total government expenditure in this sector in 1984, and 67.4 per cent in 1994.²¹ By contrast, investment in agriculture was only 9 to 20 per cent of government expenditure from 1949 to 1969. Between 32 and 57 per cent of agricultural investment from 1954 to 1969 was in irrigation projects, and between 10 and 26 per cent in farm equipment and repair centres from 1954 to 1960.²² Irrigation received priority due to the demand for an increase in cultivable land, and mechanisation was also emphasised in the battle to obtain self-sufficiency in food production.

Table 13: Official North Korean figures for industrial output during economic plans

Economic Plan	Target for average annual increase in industrial output (%)	Actual average annual increase in industrial output (%)	Target factor of increase over standard year	Actual factor of increase over standard year
Post-War Recovery	————	41.7	2.6	2.8
3 Year Plan (1954-56)	————			
5 Year Plan (1957-60)	————	36.6	2.6	3.5
7 Year Plan (1961-70)	18.0	12.8	3.2	3.3
6 Year Plan (1971-76)	14.0	16.3	2.2	2.5
2nd 7 Year Plan (1978-84)	12.1	12.2	2.2	2.2
3rd 7 Year Plan (1987-93)	10.0	n.a	1.9	n.a

Sources: Joseph Sang-hoon Chung, *The North Korean Economy: Structure and Development*, Stanford, California: Hoover Institution Press, 1974, pp. 163-67; Komaki Teruo (ed.), *Chōsen Hantō: Kaihōka Suru Higashi Ajia to Nanboku Taiwa*, Tōkyō, Ajia Keizai Kenkyūjo, 1986, p. 99; Tamaki Motoi, 'Kaikaku kaihō wa kanō ka', in Tamaki Motoi and Watanabe Toshio (eds.), *Kitachōsen: Hōkraku ka, Sabairabu ka?*, Tōkyō, Saimaru Shuppankai, 1995, p. 52.

²⁰Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 74-5.

²¹Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1984, p. 32; Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 2nd Quarter 1994, p. 45.

²²Joseph Sang-hoon Chung, *The North Korean Economy*, p. 42.

To achieve the necessary large increases in economic growth and to channel investment to the correct areas in the economy, North Korea, like its socialist neighbours to the north, has devised a series of economic plans. The first of these were the One Year Plans of 1947 and 1948 in the period of 'Peaceful Reconstruction', the aim of which was to strengthen economic ties with the USSR and other socialist countries, to develop heavy industry, to increase the role in the economy of state-controlled enterprises and to solve the food problem. The One Year Plans were succeeded by the Two Year Plan of 1949-50 which continued the period of reconstructions. The plan targeted the development of the metallurgical, steel, machinery, parts, shipbuilding, chemicals, automobile, transportation, and mining industries, and aimed to strengthen further the role of the state and to consolidate land reform. A Three Year Plan for 1951-53 was announced, but then shelved due to the outbreak of the Korean War in 1950. After the Korean War a Three Year Plan for 1954-56 was implemented to mark the 'Post-War Reconstruction Period'. The emphasis of this plan was on rebuilding the war-torn economy, especially heavy industry, and to raise output of grains by 1956 to 119 per cent of 1949 levels. As Table 13 illustrates, the Three Year Plan seems to have been a success, with a reported 3.5 factor increase in output over a standard year, as compared to the target of 2.6. The Three Year Plan was followed by the Five Year Plan of 1957-60. The plan was intended to run until 1961, but its early fulfillment by 1960 meant that in practice it ran for only four years. The plan's aims were to solve the problems of food, shelter, clothing; the provision of the material and technical conditions for the future large-scale introduction of modern mass production techniques; and the prioritisation of heavy industry and grain production. Table 13 shows that the Five Year Plan managed to raise output by a factor of 3.5, over a target of 2.6. The early success of this plan meant that 1960 was designated as a 'buffer year' in preparation for the introduction of the next economic plan.²³

²³Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 163-165.

The Seven Year Plan of 1961-67 (extended to 1970) was designed to complete the transformation of the North Korean economy from the period of reconstruction to one of fully-fledged industrialisation, and thus continued the emphasis on the development of heavy industry. However, the Seven Year Plan recognised some of the imbalances of the earlier plans, and as a result the years 1961 to 1963 were devoted to raising living standards by a concentration on light industry, agriculture and fisheries, supported by the development of chemical and machine building industries.²⁴ From 1964 to 1967, though, the emphasis of the plan was shifted back to heavy industry. 58 per cent of total government investment in this period went into industry, with 75 per cent of the total in heavy industry and the remaining 25 per cent in light industry. Agriculture received around 12 per cent of government investment, again concentrated in irrigation projects and the increased use of chemical fertilizers. The plan targets were for a 3.2 factor increase in industrial output over the standard year; a 2.4 increase in agriculture; and an average annual increase in industrial output of 18 per cent.²⁵

The Seven Year Plan appears to have had mixed achievements. The North Korean government declared the plan a total success and that the North had now reached an advanced level of socialist industrialisation.²⁶ The factor increase in industrial output was recorded at 3.3, and the production system had established a platform for growth which allowed the North to recover to some extent from the effects of the colonial and Korean War period. By the end of the 1960's, the North Korean economy had undergone a structural transformation. In 1946, and despite Japanese industrialisation policies, it is estimated that 63.5 per cent of total North Korean national income was accounted for by agriculture and 16.8 per cent by industry. By 1965, the situation had been reversed, with agriculture accounting for 18.3 per cent of national income and industry 64.2 per cent. The industrialisation

²⁴Bon-Hak Koo, *Political Economy of Self-Reliance: Juche and Economic Development in North Korea, 1961-1990*, Seoul, Research Center for Peace and Unification of Korea, 1992, p. 88; Jounghwon Alexander Kim, 'The "peak of socialism" in North Korea', p. 266.

²⁵Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 238.

²⁶Komaki Teruo, 'Current status and prospects of the North Korean economy', p. 49; Chôsen *Hantô*, p. 90.

of the North had been based on the build-up of heavy industries, which accounted for 31.4 per cent of total industrial output by 1967.²⁷ North Korea rose to become a major processor of metals, but also developed a range of domestic industries in various sectors. Cement, synthetic fibres, chemicals, non-ferrous metals, shipbuilding, and electronic industries developed in the regions of Sunchon and Nampo south of the capital Pyongyang. North Chongjin province came to concentrate on chemicals, shipbuilding, and steel, with the Kim Chaek ironworks, North Korea's largest steel plant, located in Chongjin. Chemical, textile, machinery, and non-ferrous metal industries grew up in Hamhung, South Hamhung province; and in Anju, North Pyongyang province, iron and steel industries. In Pyongyang itself there were developed steel, textile, machinery, chemical, and electronic industries.²⁸ Rapid industrialisation enabled North Korea to manufacture domestically most industrial products, to export products such as ships to other countries in the communist bloc, and also to embark on ambitious civil engineering projects, such as the Nampo Lock Gates. The North Korean regime also showed considerable ingenuity in overcoming the problems of industrialisation that it encountered in this period. Shortages in the domestic supply of raw materials for textiles were made up for by the development of chemical fibres; and a degree of management flexibility under the centrally planned economy was shown by the innovations of the Taen Work System introduced in 1961.²⁹

The breakneck pace of industrialisation also wrought changes in North Korean society. In 1953, 17.7 per cent of the North Korean population was concentrated in urban areas and 82.3 per cent in rural areas. By 1965, North Korea was on the way to becoming an urban society with 47.5 per cent of the population in cities, and 52.5 per cent in the countryside.³⁰ Income per capita was reported to be rising,

²⁷Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 224; Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 78-9, 146-7.

²⁸Andrea Matles Sawda, *North Korea: A Country Study*, Washington DC, Federal Research Division of the Library of Congress, 1993, p. 128.

²⁹Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 227.

³⁰Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 146-7.

and according to perhaps questionable North Korean figures was US\$1,920 by 1979, and US\$2,200 by 1982.³¹ North Korea established an eleven year system of free education, and a national system of free medical care.³² The quality of life, especially for urban dwellers, was improved by the provision of cultural facilities and various civic building projects. Finally, it is important to note that North Korean industrialisation was achieved despite reductions in aid from the USSR and China since the 1950's.

Hence, the achievements of the North Korean regime in pushing forward with industrialisation and tackling the problems of a lack capital and technology should not be belittled, and especially when viewed against the background of the disadvantages imposed by the legacy of colonialism and the devastation of the Korean War. At the same time, though, it is also clear that the Seven Year Plan encountered and even enhanced a number of problems that have continued to plague the North Korean economy ever since. The extension of the plan by three years and the designation of 1970 as a buffer year has lead a number of analysts to doubt the true extent of the plan's success. These suspicions have been reinforced by the fact that despite the actual factor increase exceeded the target figure, the actual average annual increase of 12.8 per cent as announced by the North was below the target of 18 per cent. The Seven Year Plan also began a North Korean practice of failing to give interim figures for economic plans; with no official figures for 1966 and 1967. Komaki has suggested that the non-reporting of figures for these years was probably to mask embarrassing failures, and concludes, based on the other figures announced, that actual growth in 1966 and 1967 may have been 0 per cent or minus 3 per cent. He also points out that even though North Korea set targets for increases in electricity, coal, iron and steel, rolled steel, chemical fertilizers, cement, manmade fibres, synthetic plastics, textiles, paper, processed meat, and fruit, only firm achievement figures were reported for coal,

³¹Economist Intelligence Unit, *Quarterly Report: China and North Korea*, 1984, no. 1, p. 28.

³²Eui-Gak Hwang, *The Korean Economies*, pp. 123-7.

rolled steel, and fruit, which is suggestive of failure in the other sectors.³³ Agriculture may have also failed. The Seven Year Plan called for a factor increase of 2.4 in agricultural output, but no results were announced at the end of the plan, and harvests were believed to have been poor, partly due to natural disasters.

The failings in the Seven Year Plan seem to have resulted from a number of causes, including structural problems in the North Korean domestic economy, difficulties in the international environment, and problems imposed by the regime's ideology and planning.³⁴ With regard to the structural problems, Chung has argued that the initial high growth achieved by the North Korean economy was the result of the existence of under-utilised resources that could be developed easily to give growth by the application of technology, labour, and raw materials. However, after the initial period of high growth in the 1960's resulting from slack in the North Korean economy, further growth has proven hard to sustain due to the small overall size of the economy and available labour supply in a country of only 22 million people. The only way to overcome these problems is believed to have been the more intensive use of capital and technology. It is arguable that the North Korean regime has recognised these structural problems and tried to deal with them in successive plans. But like other developing nations, the North Korean production system has been hampered by a chronic lack of the foreign currency needed to purchase the necessary technology and capital.

Changes in the international environment contributed to these structural problems. Intensification of the Cold War in Asia after the outbreak of the conflict in Vietnam, convinced North Korea of the need to increase the military budget as a proportion of government expenditure. In 1962, North Korea announced equal emphasis on economic and military development, and North Korea's feeling of military insecurity was pressed home by the knowledge that South Korea was confident enough of its position to send troops to Vietnam in the 1960's in support

³³Komaki Teruo, *Chôsen Hantô*, pp. 92-3.

³⁴Bon-Hak Koo, *Political Economy of Self-Reliance*, pp. 121-4.

of the US. Thus, at the very time that the North was pushing for greater economic growth during the Seven Year Plan, it was also compelled to devote a greater share of its resources to the military sector of the economy. In addition, the Sino-Soviet split of this period delivered to the North Korea economy what has been described by Komaki as a 'double punch', with simultaneous pressure from a stronger South Korea and a reduced commitment to North Korean security by the USSR and China.³⁵

The other main impediment to North Korean growth revealed in the period of the Seven Year Plan was largely self-imposed by the regime itself. Overly dogmatic political and economic ideology served to undermine economic planning. The centrally planned socialist system of North Korea has showed some flexibility, but on the whole has the same problems of management inherent in other socialist countries. In the instance of North Korea, though, these problems have been reinforced by *juche* ideology. As propounded by Kim Il Sung's regime, *juche* ideology has given the North Korean state a great capacity for survival, and, as will be seen has also moderated the degree of its vulnerability with regard to foreign economic power. But *juche* also carries with it ideas which overemphasise economic independence, eschew economic cooperation with non-socialist nations, and which promote heavy industry and growth rates as the symbols of national progress at the expense of creating a balanced economy. The placing of ideology over economic rationality has also introduced an element of caprice into North Korean economic planning. The success of the Seven Year Plan and subsequent plans have been affected by the tendency of the regime to set economic targets which have then either been pursued blindly despite obvious signs of failure, or which have been changed at a whim with damaging effects on the economy. Examples of the latter include the ad hoc 100 day 'speed battles' of the early 1980's.

³⁵Komaki Teruo, *Chôsen Hantô*, p.92.

An attempt to deal with the structural problems uncovered by the Seven Year Plan became the main theme of the Six Year Plan of 1971-1976, adopted in 1970.³⁶ The problem of the shortcomings in technology was acknowledged by the aim of the plan to consolidate the accomplishments of industrialisation by the introduction of an 'advanced technological revolution'. This would allow the technological foundations of socialism to be cemented, and the freeing of, 'working people from the arduous labour in all fields of the national economy.'³⁷ There was also a recognition in the plan of a sectoral imbalance in the economy and an aim to emphasise qualitative economic growth in all areas of the economy. Self-sufficiency in raw materials was to be strengthened; and priority was given to developing the power and extractive industries, and the standards of production in general. Agricultural productivity was also to be raised through technological and intensive methods of production. Targets of a factor increase of 2.2 in industrial output and a 14 per cent increase in average annual industrial output were set. Grain production was intended to reach 7 to 7.5 million tons a year, including 3.5 million tons of rice. Overall the Six Year Plan appeared to be more moderate in its aims, centring as it did on consolidation, the correction of structural imbalances, and the use of technology to overcome bottlenecks in the production system. The success of the plan also hinged upon the North's ability to break its economic isolation and to establish links with the non-communist world to import the required technology. The course of this trade with Western countries will be examined in more detail in the section on trade, but at this point it is important to note that under the Six Year Plan the trade of North Korea nearly doubled from a total of US\$696.1 million in 1970 to US\$1,261 million in 1973. The majority of this increase in trade was in technology imports from Western Europe and Japan, and for the first time North Korea's trade with the capitalist countries came to exceed its trade with the socialist bloc.

³⁶Kap-Young Jeong, 'The North Korean economy: structure, performance, and international comparison', *Korea and World Affairs: A Quarterly Review*, vol. 16, no. 1, Spring 1992, p. 27; Bon-Hak Koo, *Political Economy of Self-Reliance*, pp. 139-42.

³⁷Joseph Sang-hoon Chung, *The North Korean Economy*, p. 166.

The results of the Six Year Plan were also mixed. The plan was completed, according to official announcements, a full one year and four months ahead of schedule; in part a result of a 70 day 'speed battle' towards the end of the plan period. Most of the major targets of the plan were met--a factor increase of 2.5 was secured; the annual average growth rate of industrial output topped 16.3 per cent; and grain totals exceeded 8 million tons. But problems in the execution of the plan were also evident. Alterations to the original plan were made by Kim Jong Il's new preeminence in economic management and the introduction of the Three Revolution Team Movement, which was designed to pressure economic cadres into early fulfillment of plan goals. In mid-1975, a supplementary list of economic goals were put forward after the adoption of the 'Ten Major Goals of Socialist Economic Construction', and the speed battles launched during the plan may have ensured early achievement of targets but also exhausted over the long term labour and the existing supply of plant.³⁸ Another long-term problem for North Korean economic growth was created by the plan's introduction of expensive technology from the West. North Korea ran a major deficit in its trade with the West, and it was unable to repay this due to a lack of foreign currency, which was made all the worse by the impact of the oil shocks and a decline in prices for North Korea's principal hard currency earning export commodities. By 1975, the Six Year Plan's imports of foreign technology had forced North Korea into default on its loan to pay for the technology, which, in turn, then cut off the vital supply of Western credit and technology to the North needed for economic expansion.³⁹ The debt problem, as will be explained later, continued to form one of the main obstacles to North Korean economic development over the next twenty years. On balance, then, the Six Year Plan created more problems than it solved, and this forced the North Korean regime to declare 1977 as a buffer year while a new economic plan was prepared.

³⁸Nena Vrecland, *et al.*, *Area Handbook for North Korea*, p. 239.

³⁹Eui-Gak Hwang, *The Korean Economies*, pp. 44-5.

Table 14: Targets and results for the Second Seven Year Plan (1978-84)

Item	Target	Attainment (%) (1977=100)	Estimate of actual attainment*
Average annual increase in industrial output (%)	12.1	12.2	n.a
Factor increase in industrial output over standard year	2.2	2.2	n.a
Electricity (bn kwh)	56-60	178	50
Coal (mn tons)	70-80	150	70
Steel (mn tons)	7.4-8.0	185	6.1
Non-ferrous metal ores (mn tons)	1	n.a	n.a
Machinery (mn tons)	5	230	n.a
Chemical fertilizers (mn tons)	5	156	4.7
Cement (mn tons)	12-13	178	12
Textiles (mn metres)	80	145	80

*estimates by Komaki

Sources: Komaki Teruo (ed.), *Chôsen Hantô: Kaihōka Suru Higashi Ajia to Nanboku Taiwa*, Tôkyô, Ajia Keizai Kenkyûjo, 1986, pp. 108-9; Economist Intelligence Unit, *Quarterly Review: China and North Korea*, no. 2, 1985, p. 31.

The Second Seven Year Plan of 1978-1984 was announced in December 1977, and had the stated aims of promoting *juche*-oriented modernisation, the scientification of the People's Economy, the strengthening of the socialist economy, and raising standards of living. Targets of a 2.2 factor increase in output and a 12.1 per cent annual growth rate were set; grain production was to increase from 8.5 million tons in 1977 to 10 million tons by 1984. In addition to the Second Seven Year Plan, the Ten Major Targets of Development were also adopted (Table 15). These were similar to but larger than the Ten Major Goals of Socialist Economic Construction announced in the mid 1970's, and were to later become the basis of the Third Seven Year Plan.

According to North Korean official announcements the Second Seven Year Plan was successful, and interim figures released in February 1985 claimed that all the plan's targets had been met.⁴⁰ The annual average rate of increase in industrial output reached 12.1 per cent, slightly exceeding the target figure, and the factor increase in output matched the target of 2.2. Targets for individual sectors were also reported to have been met, with a 2.2 increase for transport, a 2.8 increase for

⁴⁰Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1985, p. 31.

shipping, and the completion of several large construction projects. Other interim figures realized in April 1987 confirmed this impression of success.

However, outside commentators have pointed to obvious difficulties in the carrying out of the Second Seven Year Plan. Complete statistics for the plan were only given twice in 1985 and 1987. Those for remaining years were disjointed, and no figures on industrial production were given from 1981 to 1983.⁴¹ The expected official announcement of success at the end of the plan was also missing from Kim Il Sung's New Year message in January 1985, and official statements on the economy ignored the Second Seven Year Plan in favour of the more grandiose Ten Major Targets of Development.⁴² The annual growth rate may have been lower than official North Korean estimates. Komaki has calculated that the annual growth rate in 1981, 1983, and 1984 may have been around 6.8 per cent, leaving an annual average growth rate not of 12.2 per cent, but of 10.3 per cent. Komaki also argues that the North Korean regime's silence on the economy indicates failure in the individual industrial sectors. For instance, agriculture seems to have underperformed, with reports for only three years during the period of plan.⁴³

The problems of the Second Seven Year Plans perhaps accounts for an absence of a plan in the years 1985 and 1986, and their designation as years of adjustment. In October 1986, the North finally unveiled a new Third Seven Year Economic Plan for 1987-93. The Ten Major Targets of Development after some adjustment were adopted as the basis of the plan. The plan returned to an attempt to solve the structural problems of the economy. It aimed firstly at a rapid expansion of science and technology to promote the technical restructuring of the People's Economy; secondly, a decisive improvement of production capacity to achieve the Ten Major Targets; and, thirdly, a solution to the people's needs for food, clothing, and shelter, and to raise living standards. Again the emphasis as in the Six Year Plan

⁴¹Komaki Teruo, 'Current status and prospects of the North Korean economy', p. 52; Eui-Gak Hwang, *The Korean Economies*, pp. 45, 48.

⁴²Bon-Hak Koo, *Political Economy of Self-Reliance*, p. 177.

⁴³Komaki Teruo, 'Current status and prospects of the North Korean economy', p. 55; Komaki Teruo, *Chôsen Hantô*, pp. 105-6.

was on the greater introduction of technology. In his speech of 30 December 1986,

Kim Il Sung declared the 'Complete Victory of Socialism' and that:

Currently, the major goal of scientific and technical development in our country is to achieve a complete technical restructuring of the People's Economy. Old obsolete equipment in the people's economic sector must be modernised, and production processes must be mechanised, automated, computerised, and equipped with robots.⁴⁴

Compared to the figures for the previous Second Seven Year Plan, those of the Third Seven Year Plan were less ambitious, but still high aiming to increase industrial output by a factor of 1.9, annual average growth by 10 per cent, and agricultural output by a factor of 1.4.

Table 15: Ten major targets and targets for the Third Seven Year Plan

Item	Ten major targets (February 1974)	Ten major targets for the 1980's	Target figures for the Third Seven Year Plan (1987-93)
Electricity (bn kwh)	50	100	100
Coal (mn tons)	100	120	120
Steel (mn tons)	12	15	10
Non-ferrous metal ores (mn tons)	10	15	17
Machinery (mn tons)	5	n.a	n.a
Chemical fertilizers (mn tons)	5	7	7.2
Cement (mn tons)	20	20	22
Textiles (mn metres)	n.a	150	150
Marine products (mn tons)	5	5	11
Tideland reclamation (thousand ha)	100	300	300
Grain (mn tons)	10	15	15

Source: Tamaki Motoi, 'Kaikaku kaihō wa kanō ka', in Tamaki Motoi and Watanabe Toshio (eds.), *Kitachōsen: Hōraku ka, Sabairabu ka?*, Tōkyō, Saimaru Shuppankai, 1995, p. 49.

The success of the plan is difficult to judge due to increasingly erratic economic statistics and official announcements. Results were only given for the years 1988 and 1990, and even these were incomplete. Again, the expected announcement by Kim Il Sung of the fulfillment of the plan in his New Year address in 1994 did not materialise. Instead of producing firm figures to prove the plan's success, Kim Il Sung preferred general statements about the unparalleled standards of living of the

⁴⁴Eui-Gak Hwang, *The Korean Economies*, p. 50.

North Korean people, and the need to push on with the development of the coal, power and metallurgy industries and to introduce more technology into light industry.⁴⁵ Kim Il Sung also relied on reports of the success of construction projects to pad out his statements of the economy. In fact, Kim Il Sung's avoidance of the subject of the Third Seven Year Economic Plan followed the stunning announcement of the Korean Workers' Party Committee on 8 December 1993 that it had been, 'impossible to fulfill the Third Seven Year Plan as scheduled.'⁴⁶ This rare admission of failure, though, had been qualified by placing the blame on foreign influences, including the collapse of the communist bloc and aggression towards North Korea by the Western powers.

North Korea's admission of economic problems in the early 1990's really seems to have been a forewarning of the near total failure of the Third Seven Year Plan and a general crisis emerging in the North's economy. As has already been described, the development of the nuclear crisis coincided with increasing evidence of serious economic difficulties in the North which some outside commentators saw as sufficient to cause the total collapse of the regime. By the early 1990's, South Korean sources were estimating that North Korean GNP was contracting at around 5 per cent a year, and that the North had not even come close to achieving any of the targets of the Third Seven Year Plan. Foreigners resident in Pyongyang began to report severe energy shortages and an economic slowdown in the North.⁴⁷

⁴⁵Watanabe Toshio, 'Hôroku no kiki', p. 24.

⁴⁶Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 1st Quarter, 1994, p. 37.

⁴⁷Bradley K. Martin, *Intruding on the Hermit: Glimpses of North Korea*, East West Center Special Reports, no. 1, July 1993. p. 17. According to JETRO officials, less than half of the factories around Pyongyang were operating in the summer of 1992. North Koreans resident in Japan who visited North Korea were told not to use cars in order to save petrol, and bicycles made a reappearance on the streets of Pyongyang as an energy conservation measure promoted by the government. Tanaka Yoshikazu, *North Korea's Future: Dynamism of Economic Reform and the Nuclear Option*, East Asian Institute, Columbia University, July 1994, p. 3.

Table 16: Targets for the Third Seven Year Plan (1987-93) and estimates of attainment by North Korean and South Korean sources

Item	Target figure	North Korean figures for attainment reached by the end of 1988	North Korean figures for attainment reached by the end of 1990	South Korean estimates of attainment figures by 1994
Average annual increase in industrial output (%)	10	n.a	n.a	n.a
Factor increase in industrial output over standard year	1.9	n.a	n.a	n.a
Electricity (bn kwh)	100	54	56.4	24.7
Coal (mn tons)	120	83	87	29.2
Steel (mn tons)	10	6.9	7.12	5.98
Non-ferrous metal ores (mn tons)	17	n.a	n.a	4.9
Factor increase in machinery	2.5	n.a	n.a	n.a
Chemical fertilizers (mn tons)	7.2	n.a	5.82	3.51
Cement (mn tons)	22	13	13.9	12.0
Textiles (mn metres)	150	85	88	68
Factor increase in agricultural output	1.4	n.a	n.a	n.a
Tideland reclamation (thousand ha)	300	n.a	n.a	n.a
Grain (mn tons)	15	n.a	9.1-10	n.a
Rice	7	n.a	n.a	n.a
Marine products (mn tons)	11	n.a	4	n.a

Sources: Economist Intelligence Unit, *Economist Intelligence Unit, Country Report: South Korea and North Korea*, 1st Quarter 1994, p. 38; Komaki Teruo, 'Current status and prospects of the North Korean economy', in Okonogi Masao (ed.), *North Korea at the Crossroads*, Tôkyô, Japan Institute of International Affairs, 1988, p. 62; Tamaki Motoi, 'Kaikaku kaihô wa kanô ka', in Tamaki Motoi and Watanabe Toshio (eds.), *Kitachôsen: Hôroku ka, Sabairabu ka?*, Tôkyô, Saimaru Shuppankai, 1995, pp. 58, 62.

Table 17: Annual growth rates in North Korea by sector according to South Korean sources (%)

	1990	1991	1992	1993	1994
GNP	-3.7	-5.2	-7.6	-4.3	-1.7
Agriculture, forestry and fishing	-10.2	2.8	-2.7	-7.6	2.7
Mining	-8.5	-6.8	-6.1	-7.2	-5.5
Manufacturing	-1.5	-13.4	-17.8	-1.9	-3.8
Light industry	n.a	n.a	-7.3	5.0	-0.1
Heavy industry	n.a	n.a	-21.0	-4.2	-5.2
Electricity, gas, water	-2.2	-4.5	-5.7	-8.7	4.2
Construction	5.9	-3.4	-2.1	-9.7	-26.9
Services	0.3	2.5	0.8	1.2	2.2

Source: Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 3rd Quarter 1995, p. 49.

The problems of the North Korean economy, however, were made most apparent by the critical stage of agriculture. A figure of 10 million tons for grain

production was reported in 1991, but after that grain production figures have stopped.⁴⁸ Floods in 1989 damaged the harvest, and by 1991 the North was appealing to Thailand and Indonesia for food aid, and 450,000 tons of grain were imported from Canada.⁴⁹ In 1992, North Korea accepted rice aid from South Koreans resident in the US. Disastrous floods in 1995 impacted even harder on the North's agricultural sector. It has already been discussed how there is controversy about the exact extent of damage to North Korean harvests, but the requests by the North for aid in 1995 and 1996 and UN World Food Programme reports have made clear the desperate state of North Korean agriculture. In part, the problems of agriculture can be attributed to poor luck with natural disasters, but they are also the result of manmade errors in agricultural practices, and an illustration of the limits that the North Korean production system in agriculture has reached by the mid-1990's. Despite estimates by the UN FAO (Food and Agriculture Organisation) that North Korean grain production could not exceed 10 million tons, since the 1970's the North has worked to push the physical limits of agriculture by rigid adherence to over-collectivisation, and the ever great application of chemical fertilizers and terracing.⁵⁰ The end result of this has been overcultivation, deforestation, and soil erosion. The floods of 1995 and 1996 seem only to have exacerbated the problems of agriculture brought about by North Korean mismanagement.⁵¹

By the 1990's, then, the North Korean industrial and agriculture production systems seen have reached the limits of development under the existing centrally planned system. This was recognised by both North Korea and outside observers; the latter fearing an impending collapse, or implosion, of the North Korean

⁴⁸Tamaki Motoi, 'Hatten suru keizai keikaku', Watanabe Toshio and Tamaki Motoi (eds.), *Kitachôsen: Hôroku ka, Sabaibaru ka?*, p. 62.

⁴⁹Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 2nd Quarter, 1994, p. 41.

⁵⁰Murooka Tetsuo, 'Taigai keizai seisaku no kanman no tenkan', in Watanabe Toshio and Tamaki Motoi (eds.), *Kitachôsen: Hôroku ka, Sabaibaru ka?*, p. 90; Komaki Teruo, 'North Korea inches towards economic liberalisation', *Japan Review of International Affairs*, vol. 6, no. 2, Summer 1992, p. 165. Tanaka Yoshikazu provides a detailed overview of the structural problems of North Korean agriculture, including collectivisation and *juche* ideology, in: Tanaka Yoshikazu, 'Kitachôsen no shokuryô jijô', *Asahi Sôken Ripôto*, no. 119, April 1996, pp. 4-22.

⁵¹Interview with US State Department official, 9 November 1996.

economy, and thus arguing for a 'soft landing' to avoid or at least reduce the impact. The reasons for the failure of the Third Seven Year Plan and the economy as a whole can be traced back to the problems of identified first in the 1970's during the First Seven Year Plan. In other words, the structural problems of a chronic lack of capital and technology continued to hinder the development of the production system, and, similar to many other developing nations, the North has found it hard to move away from resource-based exports in order to gain foreign currency.

The problems of the economy were again compounded by the North's international political, economic, and security relations. As in the 1970's, North Korea in the late 1980's and early to mid-1990's lacked the hard currency and creditworthiness to acquire technology and investment from the West. By 1989, the North was estimated to owe Western countries around US\$3 billion, with no sign of it ending its default on repayments.⁵² The debt problem, along with other restrictions on investment such as COCOM, ensured that the North's access to Western markets and capital remained largely closed off.

Economic isolation from sources of Western capital was made even more significant by the loss of economic contacts with the communist bloc. The collapse of the USSR and other socialist nations in Eastern Europe at a stroke deprived North Korea of its traditional external markets, sources of aid and technical cooperation. As noted previously, the USSR in 1990 and China in 1991 both moved to a hard currency basis for trade with North Korea. The new terms of trade for the North were made more severe by its dependence on the USSR and China for energy supplies, and especially oil. The effect of this on the North Korean economy will be discussed in the later section on energy. But it is necessary to note here that reduced energy supplies impacted heavily upon the North's production system.

⁵²Economist Intelligence Unit, *Country Profile: South Korea and North Korea*, 1992-93, p. 89.

For North Korea, the collapse of the Soviet bloc and continued isolation from the West also meant a deterioration in the security environment, which then forced the North to maintain high levels of military spending, at around 20 per cent of GNP. Indeed, by the early 1990's there were signs that the military-industrial complex was exercising an even greater influence over the production system and distorting economic planning further. The military is reported to have acquired its own farms to produce food for its exclusive use in the fertile Ryongyon region, and to have hoarded grain during the flooding of 1995 to 1996. It is also believed to have top priority in electricity and raw material supplies, and to possess an economic bureau concerned with external arms sales.⁵³ Increased military spending and the militarisation of the economy may then also be exerting a damaging effect upon North Korean development.

Finally, the problems of the production system, which began in the mid-1980's and has continued into the 1990's, has to be explained by the over-rigidity of *juche* ideology and economic planning. The 'speed battles' and their debilitating effects on labour and plant can only have been damaging to the economy over the long term, and the North Korean regime has been unable to lose its fixation with high economic growth and heavy industry. Thus, in April 1994, and even after the admission of the failure of the Third Seven Year Plan and promises to concentrate on agricultural and light industry development, Prime Minister Hang Son-san announced, seemingly against all economic reason, that priority would again be given to the heavy industries of coal, electric power, metallurgy, and transport.⁵⁴

Vulnerability of the North Korean production system

Examination of the North Korean production system from the post-Cold War period through to the present day has revealed its strengths and weaknesses, and provided insights which help theoretical understanding about the application of

⁵³Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 2nd Quarter, 1995, p. 43.

⁵⁴Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 2nd Quarter, 1994, p. 40.

economic power in dealing with the North Korean security problem. The theory of economic power and security outlined in chapter two, indicated that vulnerability was the key concept in understanding a state's susceptibility to and the limits of economic power. The description of the North Korean production system given above might seem to confirm the argument that North Korea is not a suitable case study for economic power due to the unusual characteristics of the economy, its isolation resulting from *juche* ideology, and the apparent lack of interdependence with other states--all suggestive of a low degree of vulnerability.

To some extent this argument is valid, in that the North Korean economy does show a low degree of vulnerability compared to others because of the factors of resilience, adjustment, substitution, and availability. Resilience is defined as the ability to withstand the initial shock of a deprivation of welfare over the long term without the need to change behaviour significantly. The North Korean production system over time has demonstrated remarkable resilience, supported as it is by *juche* ideology. The North Korean economic system has been able to withstand the severance of economic links with its colonial partner Japan after World War II; isolation from South Korea during the Cold War; the pressures of the Sino-Soviet split and a reduction in aid in the 1960's; the debt problems and consequent isolation from the West in the mid-1970's; and even the collapse of the Soviet economic sphere in the late 1980's and early 1990's. Despite the shrinkage of GNP in the 1990's and predictions of its demise, the North Korean political and economic regime, like other small socialist states such as Cuba, has managed to survive a number of economic shocks.

Adjustment is defined as the ability to make up for the loss of economic links and welfare by the use of a state's own stockpiled economic resources. For North Korea, the exercise of adjustment has proved hard due to its seeming lack of stockpiled resources other than for use by the military. Substitution is the ability to cope with the denial of access to economic links and resources by substituting them with domestically produced forms. North Korea has been forced to compromise its

juche ideology by reliance on the USSR and China for many vital economic resources. But the North has also exercised a measure of substitution by its achievements in producing certain types of machine tools with its own resources; the development and use of chemical fibres to make up for a lack of natural raw materials; the completion of major construction projects without outside assistance; and independent efforts in the 1990's to push ahead with its nuclear programme. North Korea, then, has demonstrated substitution by increasing the limits of its self-sufficiency.

Availability is the capability to create alternative forms of economic links and sources of economic activity when they are denied to a state by others, and generally involves the forging of economic links with new economic partners. In the case of North Korea, the denial of access to the US's sphere of economic influence after World War II led to the North creating economic links with that of the USSR. The collapse of the Soviet bloc, harsher trading terms with the USSR, and then Russia and China, and continued isolation from the Western economies, has meant that North Korea has been forced to find availability by the creation of economic ties with the other isolated or 'pariah' states of the post-Cold War world, including Cuba, Syria, Libya, Iran, and Iraq.

North Korean vulnerability has been and continues in some instances to be lower than other small states, but it is also clear that by the 1990's the North had reached the limits of resilience, adjustment, substitution, and availability, with a resultant increase in vulnerability. The problems of the *juche*-oriented socialist planned production system are one indication of North Korean vulnerability, which in fact has been partly evident since the 1970's. The recognition by the North Korean regime of increased vulnerability and the failure of the production system has meant that it has been compelled to consider policies to begin a reconstruction of the economy. As has been seen, one part of this state-led attempt to revive the economy was the use of military power to extract vital economic concessions from the US and its allies. The other aspect was the initiation of limited economic

reforms in order to attract the necessary investment and technology that has long been viewed as necessary to overcome the structural problems in the economy.⁵⁵ The types of reforms implemented by the North Korean regime to reduce the level of vulnerability will be considered next. But while the North Korean regime has been attempting only limited Chinese-style reforms to correct the economy and to avoid overdependence on other states over the long term, it is also clear that even limited reforms by the regime have left it open to the creation of relations of interdependency, and, in turn, increased vulnerability and the exercise of economic power for security purposes. Hence, the case of North Korea is in fact an excellent one for testing the validity of the concept of global civilian power.

The Tumen River Area Development Project and the Rajin-Sonbong Zone of Free Economy and Trade

As stated above, the North Korean regime had identified some of the deficiencies in the economy by the 1970's, and the first attempt at economic reform was made during the Six Year Plan by the import of Western technology. The failure of the Six Year Plan and the debt problems created by increased trade in technology with the West have continued to dog North Korean economic planning since. However, the necessity for reform seems to have been accepted by certain sections of the North Korean regime, and in the mid-1980's a second set of limited reforms was introduced. In January 1984, the North unveiled a new strategy to increase foreign trade and economic cooperation. This included enhanced South-South cooperation, a tenfold increase in trade, and improved technical cooperation with other socialist nations, the development of trade with nations the North had not traded with before, and whilst protecting the independence of the North's economy increased trade with Western nations.⁵⁶

⁵⁵Komaki Teruo, 'Kitachōsen wa nani no tame ni, doko made kawaru ka: Kim Nichi Sei kōkei taisei ni tachihadakaru keizai no kabe', *Sekai Shūhō*, vol. 73, no. 19, 19 May 1992, p. 23.

⁵⁶Komaki Teruo, *Chōsen Hantō*, p. 120.

The announcement of this strategy was followed on 9 September 1984 by the establishment of the North's first Law on Joint Ventures.⁵⁷ The law met with some immediate success, such as the agreement between a French construction company and the North Korean government for a US\$128 million hotel construction project in Pyongyang, but on the whole it failed to attract a significant volume of foreign investment. In fact, as of 1991, 75 per cent of all projects under the law were run by North Korean descendants resident in Japan.⁵⁸ The importance of the Law on Joint Ventures was that it was the start of attempts to attract foreign capital and investment and to raise the general quality of North Korean products.

The next and most major reform came in the 1990's and the regime's interest in the creation of free trade zones along the lines of those in China. The end of the Cold War in Northeast Asia, and rapprochement among China, Japan, South Korea, the USSR and then Russia, produced not only political fluidity in the region but also economic fluidity.⁵⁹ Economic liberalisation in Japan, South Korea and China produced the conditions for the greater interdependency between their production systems. The beginning of the construction community on the subregional scale have been shown by the emergence of the conception of the Sea of Japan Rim grouping (including Japan, China, the Korean Peninsula, and Pacific Russia); the Yellow Sea Economic Cooperation Zone (China, the Korean Peninsula, and Japan); and the Bohai Economic Zone (Northeast China, and the Korean Peninsula).⁶⁰ Other regional groupings in Asia include SIJORI, EAGA,

⁵⁷For a full text of the Law on Joint Ventures: Economist Intelligence Unit, *Country Report: China and North Korea*, 4th Quarter, 1984, pp. 36-38.

⁵⁸Miyatsuka Toshio, 'Kitachōsen ni okeru gappei jigyō no tenkai ni tsuite: zainichi Chōsenjin to no gappei jigyō o chūshin ni', in JETRO, *Kitachōsen no Keizai to Bōeki no Tenbō: 1992han*, Tōkyō, JETRO, 1992, p. 105.

⁵⁹Andrew Marton, Terry McGee, and Donald G. Paterson, 'Northeast Asian economic cooperation and the Tumen River development project', *Pacific Affairs*, vol. 68, no. 1, Spring 1995, pp. 11-15; *Far Eastern Economic Review*, 'Hinterland of hope: regional power have ambitious plans for the Tumen Delta', vol. 155, no. 21, 16 January 1992, pp. 16-17.

⁶⁰Karoline Postel-Vinay, 'Local actors and international regionalism: the case of the Sea of Japan Zone', *The Pacific Review*, vol. 9, no. 4, 1996, pp. 489-504.

GMS, and IMT-GT.⁶¹ On the larger macro-regional level the growth of the concept of interdependency has produced APEC and EAEC.

The TRADP (Tumen River Area Development Project) has emerged in conjunction with the above ideas of economic groupings and interdependence. The project is intended to speed the process of integration in Northeast Asia, and to correct the economic imbalance which has made for economic growth along the Pacific coast of countries in the region at the cost of economic growth in the Sea of Japan. The Tumen Delta (Tuman-gang in Korean) has been seen as an ideal site for a free trade zone, located as it is on the borders of Russia, China, and North Korea. The development of the zone as the new 'Northeast Asian Hong Kong' it has been hoped would open an effective line of communication between the rich hinterland of Northeast Asia and the economies of the Sea of Japan.⁶² The project promises the creation of a combined market of 300 million people, incorporating North and South Korea, Japan, Northeast China, Pacific Russia, and Mongolia. Moreover, the project could serve 20 per cent of the Asian land mass, 10 per cent of its population, and an area with a GNP of US\$3 trillion.⁶³ The project would allow the integration of different but complementary resources held by the countries in the region; for example, Russian energy resources could be combined with Chinese labour, or Japanese management skills and technology with Mongolian raw materials.⁶⁴ The Tumen project is also believed to have implications for Northeast Asia's place in the global economy, with a development axis stretching from Japan to Mongolia and offering opportunities for greater integration with the European economy. At present, freight from Europe to Japan via Suez and Singapore can

⁶¹SIJORI is composed of: Singapore, Johor State in Malaysia, Riau Province in Indonesia; EAGA (East Asian Growth Area) of: Brunei, East and West Kalimantan, North Sualwesi in Indonesia, Sabah, Sarawak and Laban in Malaysia, and Mindanao and Palaun in The Philippines; GMS (Greater Mekong Region) of: Cambodia, Laos, Myanmar, Thailand, Vietnam, and Yuanan Province, China; IMT-GT (Northern Growth Triangle) of: North Sumatra and Achen in Indonesia, the northern states of Malaysia, and the southern states of Thailand.

⁶²United Nations Development Programme, *Tumen River Area Development Programme*, Promotional Leaflet, p. 1.

⁶³*Far Eastern Economic Review*, 'Hinterland of hope', p. 16.

⁶⁴Robert Taylor, *Greater China and Japan: Prospects for an Economic Partnership in East Asia*, London, Routledge, 1996, p. 171.

take up to one month; the completion of improved communications in the Tumen project could allow transportation from Europe to Niigata in Japan via Siberia in two weeks. In short, the Tumen project is potentially a new frontier for development, offering regional integration if it could be implemented successfully.⁶⁵

Table 18: The mutually complementary economic resources of Northeast Asian countries in the Tumen River Area Development Project

Nations/regions	Advantages	Disadvantages
Japan	Capital savings; advanced technology; plenty of superior equipment ready to move out; vanguard industrial products and management experience	Severe shortage of energy and industrial resources; insufficient grain for animal husbandry and some agricultural products; deficiency of labour
Russian Far East	Plenty of forest, non-ferrous metal ore; aquatic resources; oil, gas, coal, and some products of heavy and chemical industries (e.g. steel and fertilizers)	Severe shortage of agricultural and light industrial products; lack of labour and capital; backward industrial equipment and management experience
Northeast China	Favourable agricultural conditions; adequate and various agricultural products (e.g. maize, soya beans, meat, fruit); some textile industrial products; oil, coal, building materials; excess labour	Lack of capital, advanced equipment, technology, and management experience; comparative shortage of some mineral resources; weak infrastructure
North Korea	Rich mineral resources, metal ores, and simple processed products; some industrial commodities; and disciplined labour	Shortage of capital; insufficiency of farm, and light industrial commodities; backward equipment and technology; lack of managerial experience; shortage of energy; poor communications
South Korea	Surplus capital; advanced technology and equipment to move out; vanguard industrial products	Shortage of energy and industrial resources; lack of grains for stock-raising; insufficiency of labour
Mongolia	Plentiful products of animal husbandry and of mineral ores, especially of fluorspar	No convenient means of communicating directly with other Northeast Asian nations; lack of capital, technology, equipment, farm products, and light industrial commodities

Source: Adapted from Eui-Gak Hwang, *The Korean Economies: A Comparison of North and South*, Oxford, Oxford University Press, 1993, p. 299.

The idea of a free trade zone in the Tumen area was first put forward in July 1990 at the Northeast Asia Economic and Technology Development Symposium in Jilin, China, attended by representatives from China, Japan, the USSR, the US,

⁶⁵Watanabe Toshio, 'Hōraku no kiki', p. 32.

Mongolia, and the two Koreas. The UNDP (United Nations Development Programme) sponsored meetings in Ulaanbaatar in July 1991 and again in Jilin in August 1991, which discussed the Tumen project, and at which North Korea showed its early enthusiasm for the project by its willingness to designate Huphan Island in the Tumen Delta as special economic zone. South Korea in this period of détente between the two Koreas supported the North Korean initiative, and Mongolia also looked favourably on the project as a way to gain access to the sea. Russia as the successor state to the USSR was more doubtful, worried about the environmental impact, and fearing competition for its own development projects in Vladivostock, preferring a larger project to include other areas of the Russian Far East apart from the Tumen Delta.⁶⁶

In August and September 1991, the UNDP carried out a pre-feasibility study of the Tumen project which laid out three options, and also included ambitious funding plans for up to US\$30 billion. Option A proposed that the three riparian countries--Russia, China, and North Korea--should each establish their own special economic zones as 'growth centres' to promote the start of integration. This option was to be coordinated by a Commission for Cooperative Development, and had the advantage of avoiding problems of sharing sovereignty within the Tumen area. Option B proposed that the three states should lease around 300 square kilometres of their territory to an international authority that would be responsible for overall development planning. This option was problematic in that it would have encroached on state sovereignty, but it was advantageous because it eliminated the need for investors to deal with three different state authorities. Option C was the least well received, and envisaged the creation of a UN 'core city' in the Tumen area built on leased land that would then link together the three separate zones of the riparian states. Option A was selected at the August meeting by the participatory

⁶⁶Imai Satoshi, 'Tōmonkō chiiki kaihatsu kōsō no seihi', in Watanabe Toshio and Tamaki Motoi (eds.), *Kitachōsen: Hōraku ka, Sabaibaru ka?*, pp. 176-96.

states, and it was a scaled-down version of this which was to become the basis of the Tumen project later on.⁶⁷

A further UNDP meeting was held in Pyongyang on 18 October 1991, where it was agreed to put the TRDAP plan into action at a high level by 1993. The participatory states established a PMC (Programme Management Committee) to oversee the project, and Japan and Finland were accepted as observers. Japan was later invited to become a project member on 22 October 1996.⁶⁸ The PMC's first meeting, PMC I was held in Seoul on 27 and 28 February 1992, and agreement was reached to focus on the economic and technological feasibility studies and financing strategies, with the overall aim of creating a free trade zone to serve as the 'Rotterdam of the East'. PMC II was held in Beijing between 9 and 11 of October 1992, and PMC III was in Pyongyang between 9 and 11 May 1993. At the latter meeting, the three riparian states consented to lease land to the TRC (Tumen River Corporation) which would establish the (TREZ) Tumen River Economic Zone. The TREZ was divided into three separate economic zones, and was to be managed by the Tumen River Area Development Coordination Committee, consisting of representatives from China, Russia, and North Korea. PMC IV was held in Moscow In July 1994, and PMC V in Peking in May 1995. PMC V created the Consultative Commission for the Development of the Tumen River Economic Zone with China, Russia, North Korea, South Korea, and Mongolia as members, and which was charged with upgrading facilities and infrastructure in the region. These states also signed a Memorandum of Understanding on Environmental Principles to safeguard against any negative environmental effects of the Tumen project.⁶⁹ The project, therefore, had moved to the acceptance of Option A, and separate but contiguous economic zones, including the Russian zone at Posyet, the Chinese zone at Hunchun, and the North Korean zone at Rajin-Sonbong created in 1991.

⁶⁷Andrew Marton *et al.*, 'Northeast Asian economic cooperation', pp. 16-17.

⁶⁸*Japan Times*, 23 October 1996, p. 3.

⁶⁹Nukui Hiroshi, 'Kannihonkai keizaiken ni tenbô', *Gekkan Shakaitô*, no. 488, January 1996, p. 30.

The UNDP agreed to provide US\$3.5 million for feasibility studies, and the project aimed to raise US\$6 billion in finance by the year 2000.⁷⁰

Despite the promising start, the TRADP is not without problems. Financing the project has proved difficult because of the poor credit rating of two of its participants Russia and North Korea. Opposition to the project has been raised on environmental grounds, with possible damage to the pristine Tumen valley in the Khasan area of Russia. The TRADP is also in competition with Russian projects around Vladivostock that have developed infrastructure.⁷¹ Direct routes for bilateral trade between Mongolia, Russia, China and North Korea already exist, and so for the TRADP to be given a true economic rationale it needs to function as the link between the Northeast Asian interior and the Sea of Japan which would help to power the project's development. The priorities and resources of the states involved in the project also may be devoted elsewhere, as Russia concentrates on Vladivostock and Nakhodka, and China on Shanghai and the Three Gorges Project.⁷² Sovereignty is also a major problem in achieving effective economic cooperation, and both Russia and North Korea have so far proved cautious about giving up theirs.⁷³

But in spite of these problems, the TRADP appears to be feasible and North Korea has been, perhaps alongside Mongolia, the most enthusiastic of the states for the project. In November 1992 at a symposium on the project in Kyôtd, Japan, North Korea agreed to the principle of the independent development of its economic zone but in adjustment with the plans of other states--an important concession by the North on cooperation and economic coordination. North Korea has used what influence it has to push forward with the project and has played a full part in the development of the TRADP linked to its own economic zone at Rajin-Sonbong.⁷⁴

⁷⁰*Japan Times*, 7 June 1996, p. 17.

⁷¹Interview with ERINA researcher, Tôkyô, 19 November 1996.

⁷²James Cotton, 'China and Tumen River cooperation', *Asian Survey*, vol. 36, no. 11, November 1996, p. 1099.

⁷³*Japan Times*, 9 September 1996, p. 15; Eui-Gak Hwang, *The Korean Economies*, p. 300.

⁷⁴*Far Eastern Economic Review*, 'Zone of dreams: Pyongyang goes overboard for Tumen project', vol. 153, no. 21, May 1992, p. 30; Andrew Marton, *et al.*, 'Northeast Asian economic

The creation of North Korea's first ZFET (Zone of Free Economy and Trade) was spurred on by the concept of the TRADP and experience of the success of China's SEZs (Special Economic Zones).⁷⁵ The North Korean premier Yong Hyong Nuk was reported to have visited China's Shenzhen SEZ and a Braun electronics factory in November 1990.⁷⁶ On 28 December 1991, North Korea declared a 621-kilometre-square ZFET at Rajin and Sonbong, and including the freeport of Chongjin, in the Northeast of the country. This was followed in October 1992 by a new law on joint ventures, which allowed 100 per cent foreign companies to be established in the ZFET, and a free choice of management conditions.⁷⁷ No limits were set on the types of businesses, land could be leased for up to fifty years, and the use of foreign ships was freely permitted. Taxes were set at 25 per cent outside the ZFET, and 14 per cent inside the zone, with no custom duties, and a three year tax holiday on profits from new investments, rising to 50 per cent after this period. North Korea also introduced a land lease law on 27 October 1993; a law on foreign investments by banks on 24 November 1993; and regulations on foreigners entering and leaving the ZFET on 29 November 1993. On 30 December of the same year labour regulations for foreign financed enterprises were enacted, establishing a minimum wage of 160 Won inside the ZFET, restricting the right of managers to hire and fire workers, and making trade unions compulsory.⁷⁸ In 1995, it was reported that North Korea was seeking up to US\$7 billion of investment of the ZFET, half of which was earmarked for infrastructure.⁷⁹

cooperation and the Tumen River development project', p. 18; Imai Satoshi, 'Tōmonkō chiiki kaihatsu kōsō no seichi', p. 182.

⁷⁵ Young Namkoong, 'An analysis of North Korea's policy to attract foreign capital: management and achievement', *Korea and World Affairs: A Quarterly Review*, vol. 19, no. 3, Fall 1995, p. 468; Eui-Gak Hwang, *The Korean Economies*, pp. 291-2.

⁷⁶ Economist Intelligence Unit, *Country Report: China and North Korea*, no. 4, 1990, p. 37.

⁷⁷ James Cotton, 'Signs of change in North Korea,' *The Pacific Review*, vol. 7, no. 2, 1994, p. 225.

⁷⁸ Economist Intelligence Unit, *Country Report: China and North Korea*, no. 4, 1992, p. 38, 1st Quarter, 1994, p. 42; Imai, 'Tōmonkō chiiki', pp. 183-4, 186-90.

⁷⁹ Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 1st Quarter, 1995, p. 52.

The North's strategy to attract foreign investment and technology by the establishment of the ZFET has met with some success. In August 1994, a Russian-North Korean trading company was set up in Rajin-Sonbong, capitalised at 100 million roubles. In 1995, following a relaxation of US regulations on investment in North Korea, the US company Stanton Oil was reported to have taken over the Unggi oil refinery in the Rajin-Sonbong area which had been used formerly to process oil imports from the USSR and Russia. The ING-North East Asia Bank was formed in the ZFET in January 1995 by a joint venture between the Dutch bank ING (Internationale Nederlanden Groep) and the North's Korean Foreign Insurance Company. This joint venture is reported to have had a modest capital of US\$15 million, backed by a 70 per cent (US\$11.4 million) ING share, but with only a cautious US\$2 million invested up front. The ING investment was followed by the establishment of the Peregrine-Taedong Development Bank in February 1995, designed to develop infrastructure in the ZFET. The venture involved Hong Kong's Peregrine Bank and the Central Bank of North Korea, Peregrine taking a 70 per cent (US\$7.5 million) stake in the bank. In January 1986, North Korea may have attracted its first major multinational company to the zone after a deal with Shell for a fifty year lease on a 1.7 hectare site in Sonbong to build facilities for the stockpiling of 100,000 tons of oil.⁸⁰

North Korea's most vigorous effort to attract foreign investment to the zone came on 13-15 September 1996, when, with the sponsorship of the UNDP it held an investment forum in the Rajin-Sonbong ZFET. In preparation for the forum the chairman of the North's Committee for the Promotion of External Economic Cooperation, Kim Jong-U, toured Hong Kong and Japan, and constructed a 200 bedroom hotel was constructed in the zone for the expected visitors. Around 550 delegates participated in the forum, of which around 450 were from abroad and drawn from twenty six different countries. The largest contingents were reported to be from China (around 160, possibly including delegates from Hong Kong),

⁸⁰Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 3rd Quarter, 1994, p. 53, 2nd Quarter 1995, pp. 46-9, 1st Quarter 1996, p. 45.

followed by Japan and the US. Fifty three South Korean companies were reported to have applied in large numbers to join the forum, but due to a dispute between the governments of North and South Korea over the numbers allowed to attend, the South forced its companies to boycott the forum. Much to North Korea's chagrin, the majority of the delegates were not businessmen, but academics and journalists. Despite the smaller than hoped for number of business participants, the forum did succeed in concluding some investment deals. The official North Korea claim was that sixteen projects worth a total of US\$840 million were agreed, but of these only six worth US\$286 million are definite. The largest share of these investments was that of the Emperor Group of Hong Kong, which promised to construct a US\$180 million five-star hotel and casino, and to invest a further US\$30 million in a banking venture. Other investments included a US\$50 million project by a North Korean resident in Japan, Kim Man-yu, to build a hospital in Pyongyang; a US\$10 million telecommunications and harbour berth deal with Thailand's Loxley Group; a US\$6 million toy plant by Enterprise Corporation of Hong Kong; and a US\$5 million motorcycle plant by China's Yantai Motorcycle Company.⁸¹

The investment forum has been judged a disappointment by many of those who attended. Although the progress of North Korea in trying to adapt to international business conditions is acknowledged, the Rajin-Sonbong area's infrastructure is still seen as insufficient to attract significant investment, and the North's liberalisation reforms as too limited.⁸² The speculation has been that much of the investment from Hong Kong was attracted not because of the genuine commercial interests of the zone, but because of the influence of mainland China, which wants to see some success for the project to keep the North Korean economy from collapsing.⁸³ Also, instead of the manufacturing industry originally intended as the

⁸¹*Japan Times*, 16 September 1996, p. 3; Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 4th Quarter, 1996, p. 52.

⁸²For an interesting, but anonymous, account by Korean-Americans of the Rajin-Sonbong zone and its investment opportunities prior to the September investment forum, see 'Kankokukei Beikokujin ga mita Kitachōsen no keizai tokku,' *Sekai Shūhō*, vol. 77, no. 32, 3 September 1996, pp. 72-3.

⁸³Interview with Asahi Shimbun journalist and participant at the investment forum, 15 November 1996.

base for the growth of the zone, some commentators fear that projects such as the casino will merely turn Rajin-Sonbong into a playground for businessmen from the more successful zones in China and Russia, and that it will not lead to any serious restructuring of the North Korean economy.⁸⁴ In spite of all these criticisms, the September 1996 forum did confirm North Korea's continuation of its liberalisation policy and that it had set out on a steep-learning curve to improve its production system.

In addition to this external investment in the ZFET, North Korea has also moved to strengthen its production system by improving economic contacts with South Korea, Cold War confrontation between the two states restricted economic contacts in the past, with only occasional cooperation such as the provision of rice aid to the South after floods in 1984. From the late 1980's onwards, however, even as confrontation continued, there were a series of steps to expand economic ties. The go-ahead for economic cooperation was given by President Roh's 7 July 1988 address, and the 1992 declaration on peaceful co-existence between North and South; and the South's Seventh Five Year Economic Plan of 1996-96 stated the aim of increasing trade with the North. The first South Korean corporation to take advantage of the improved investment climate in the North was Hyundai, when its founder Chung Ju Yung visited his ancestral home in the North in 1989. In February 1989, the South Korean government legalised North-South trade, and Hyundai's initiative was followed by the other *chaebols*--Daewoo, Samsung, and Lucky Goldstar--looking for investments and joint ventures in the North. As a result, North-South trade rose from virtually zero in 1988 to a level of US\$200 million in South Korean imports from North Korea in 1992, and US\$11 million in South Korean exports to the North.⁸⁵ The balance of trade has clearly been in the South's favour, consisting mainly of raw materials, steel and metal products

⁸⁴Marcus Noland, 'Planning a gangsta's paradise', *Japan Times*, 25 September 1996, p. 21. Added to the planned casino, the North Korean authorities are reported to be considering the construction of a golf courses in the zone, and Rajin already has North Korea's first karaoke bar.

⁸⁵Kohari Susumu, 'Kankoku kara mita nanboku keizai kankei', in Watanabe Toshio and Tamaki Motoi (eds.), *Kitachōsen: Hōraku ka, Sabaibaru ka?*, pp. 138, 143, 148-150.

imported from the North, and machinery and chemicals exported from the South. This North-South trade is small in scale, but as part of the North's reform programme it has shown the possibilities of closer economic relations between North and South as a prelude to economic interdependence.⁸⁶ The main problems for South Korean investors, though, have been the fluctuations in the political relations between the two Koreas, and that all investments have been subject to South Korean government approval. As seen already, the South, due to a disagreement with North Korea over numbers, prevented its companies from participating in the September 1996 investment forum, and the submarine incident later in the same month put a freeze on all North-South economic contacts. The stop-go nature of political relations has also imposed a stop-go nature on economic relations and hindered the process of the growth of interdependence.

To summarise North Korea's policy to reform of the production system, three types of measures have been introduced since the mid-1980's: joint venture laws; the TRADP and ZFET, and economic cooperation with the South. All three signal an awareness of the structural problems of the production system and economy as a whole among a section of influential members of the North Korean regime, and the need to rectify economic problems by the attraction of foreign investment and technology. The reform plans of the North Korean regime should not be seen as a fundamental change in economic policy, but more as highly defensive measures designed to ensure the prolongation of the regime's rule based on the model of China's SEZs. The hope of the regime under Kim Il Sung and then his son Kim Jong Il seems to be to stage an economic recovery contained within the ZFET and to enjoy the benefits of it, but to keep changes in the wider centrally planned economy to a minimum. In his own writings Kim Jong Il has pointed out that reforms similar to Gorbachev's *perestroika* can only spell the downfall of the socialist system. Hence, it is likely that North Korea will continue to keep the

⁸⁶Ha-Cheong Yeon, 'Inter-Korean economic relations: possible directions', *Korea and World Affairs: A Quarterly Review*, vol. 17, no. 4, Winter 1993, p. 713.

North Korean economy as closed as possible, and to exclude from areas beyond the ZFET what is perceived as the pernicious influence of Western capitalism.⁸⁷

However, even while it has to be admitted that the North's economic plans are designed to keep the economy closed over the long term, it is also essential to note that even the limited types of economic contacts that the North is trying to create entail a measure of interdependence with foreign states and corporations. New contacts between the North and the external economy open a window of opportunity for the attraction of investment the risks of which the North feels it can manage to its satisfaction, but it also opens a window of vulnerability which allows the application economic power on North Korea. The next section by using the model developed in chapters two and three will examine the potential of the application of Japanese economic power on North Korea and the implications for security policy.

Japanese FDI power and the North Korean production system

Japan has long been the target of North Korean economic reforms as a source of technology and investment for the improvement of its production system. It is arguable that this has provided Japan with the potential to extend economic power in order to influence the North Korean production system, and, in turn, the North's economic, political, and security behaviour. As has been seen at the start of this chapter, Japanese investment during the colonial period was crucial to the economic development of the Korean Peninsula, and it also proved crucial to the take-off of the South Korean economy in the 1960's. Bruce Cumings has pointed out that, even though it may pain Korean nationalists, the place to begin in comprehending the economic dynamism of Northeast Asia and South Korea is Japan's role as an

⁸⁷Kim Il Jong's awareness of the dangers of walking the tight rope of economic reform are further revealed in his taped conversations, made between 1983 and 1985, but only revealed in October 1995. Kim Jong Il noted the importance of reform and the beginning of moves to open up the east coast. But he asserted that the west coast should remain closed to foreign influence, and only keep the economy open long enough to raise the level of its technology sufficient to allow North Korea to resist foreign dominance. Some of the content of these taped conversations is reproduced in: Kim Hyunga, 'Kim Jong Il revealed in taped conversations', *The Pacific Review*, vol. 9, no. 3, 1996, pp. 453-62.

imperial power before the war.⁸⁸ Moreover, North Korea, despite being a socialist nation, has many characteristics of a developing nation, and should be amenable to the type of economic development sponsored by Japan in the other developing countries of Asia. Conversely, as noted in chapter four, Japan's own economic rejuvenation after World War II was first given momentum by the Korean War. The likelihood is, then, that Japanese investment and FDI will prove crucial to the reform of the North Korean economy and any future development of the Korean Peninsula's economy in North East Asia. But despite this obvious potential, this section will argue that restrictions have also been placed on Japanese power by the reluctant and as yet limited participation of the Japanese government and Japanese private corporations in the North Korean reform effort.

As has already been described, the strategy of reform in the 1970's and the Six Year Plan sought to acquire technology from Western Europe and especially Japan. Japanese trade with North Korea increased sharply (Table 22), and Japanese companies began to look at investments in the North. But the subsequent default of North Korea on loan repayments for the technology it had purchased from Japan caused Japanese companies to halt business plans with the North, and has continued to repel Japanese enterprises from the North up to the present day.

Japan was again the target of North Korean strategy in the mid-1980's. The Law on Joint Ventures was aimed also at attracting Japanese investment, but met with little response due to memories of the debt problem in the 1970's. A few projects were initiated, with reports that in December 1980 an Ôsaka company established a cement factory in the North; and in September 1986 a joint venture with North Koreans resident in Japan was established to develop a gold mine at Unsan.⁸⁹ The mine project was capitalised at ¥120 million, began production in 1987, and aimed to produce two tons of gold a year, the first eight ingots of which were shipped to Japan. Although the joint venture was one involving the North Korean community

⁸⁸Bruce Cumings, 'The origins and development of the Northeast Asian political economy: industrial sectors, product cycles, and political consequences', *International Organization*, vol. 38, no. 1, Winter 1984, p. 8.

⁸⁹Miyatsuka Toshio, 'Kitachôsen ni okeru gappei jigyô no tenkai ni tsuite', p. 111.

in Japan, there were rumours that it had sought funding from the Sôgôshôsha, Mitsui. Economic cooperation in this period was also marked by the visits of the Dietmen's League for the Promotion of Friendly Ties Between North Korea and Japan in June 1985, and Den Kawatatsu, Chairman of Nankai Railways, both to discuss investment prospects.⁹⁰

In the mid-1980's, though, North Korean success in attracting investment from Japanese corporations was minimal, and instead the main source of investment from Japan came in the form of joint ventures with North Koreans resident in Japan and their umbrella organisation the Chôsensôren. Indeed, since the 1970's and the North Korean debt problem, trade between Japan and North Korea mediated by the Chôsensôren had undergone *Chôchôka* or 'Koreanisation'. As already noted, up to 1991 nearly 75 per cent of joint ventures in North Korea were *Chôchô gappei jigyô*--companies run by North Koreans in Japan.

Prior to the Law on Joint Ventures of 1984, North Koreans in Japan had already begun to invest in a limited restructuring of the production system in their ancestral homeland by the donation of what were known as 'Patriotic Factories' on special occasions such as the anniversary of the North Korean state's foundation or the Great Leader's birthday. These factories were mainly for light industry, and included the Mnyondaie Patriotic Aluminium Door Frame Factory, a bottling plant, a beer and soy sauce factory, and even an instant ramen noodle factory.⁹¹ After the passing of the Law on Joint Ventures, these patriotic donations were still encouraged by the North Korean regime, and in 1992 North Koreans in Japan were reported to have set up a television factory in the North to manufacture UHF and VHF sets. In total gifts of factories from the North Korean community in Japan are estimated to have been as high as ¥10 billion.⁹²

⁹⁰Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1987, p. 46, no. 2, p. 42.

⁹¹Miyatsuka Toshio, 'Kitachôsen ni okeru gappei jigyô no tenkai ni tsuite', p. 108; Young Namkoong, 'An analysis of North Korea's policy to attract foreign capital', pp. 474-5.

⁹²Miyatsuka Toshio, 'Gappei jigyô no aratana tenbô', in Watanabe Toshio and Tamaki Motoi (eds.), *Kitachôsen: Hôraku ka, Sabaibaru ka?*, p. 112.

The Law on Joint Ventures of 1984 contained a specific provision for investments by the Japanese North Korean community. The first ventures set up under the law were small, including in November 1984 the Changgwanson coffee shop for foreign visitors in a Pyongyang hotel; and in February 1985 the Rakwon department store also in Pyongyang.⁹³ In February 1986, Kim Il Sung called for a more vigorous effort from the North Korean community in Japan to increase its investments in the North. This led to the establishment by the Chôsensôren's joint venture research committee of the Korea International Joint Venture Trading Company (Chôsen Kokusai Gappei Sôkaisha), designed to promote joint ventures. In April 1989, the Korea Joint Venture Bank was formed by the Korea International Joint Venture Trading Company and the Chôsensôren's business promotion committee. The purpose of this bank was to finance joint ventures and it forged financial links with the Ashikaga Bank in Tôkyô and the Chûgoku Bank in China.⁹⁴

The Law on Joint Ventures managed to create in the North around 110 businesses run by the North Korean community in Japan, or joint ventures between the former and various North Korean economic institutions.⁹⁵ How far these enterprises have contributed to a restructuring of the North Korean economy is doubtful given their generally small size and the suspicion, even by some members of the Chôsensôren, that the joint ventures have been regarded more often by the North Korean regime as a means to wring more money from its loyal countrymen overseas. Moreover, in areas where the North Korean production system could be competitive, such as steel, there are as yet no joint ventures. Some of the enterprises, though, do seem to have made a significant impact on the production system. In particular, men's suits manufactured in the North by an enterprise run by North Koreans in Japan have proved a successful export to Japan, and have

⁹³Economist Intelligence Unit, *Country Report: China and North Korea*, 2nd Quarter 1985, p. 38.

⁹⁴Miyatsuka Toshio, 'Kitachôsen ni okeru gappei jigyô no tenkai ni tsuite', pp. 114, 123.

⁹⁵For a full list of these enterprises, see Miyatsuka Toshio, 'Kitachôsen ni okeru gappei jigyô no tenkai ni tsuite', pp. 128-9.

accounted for the sharp rise in textile manufactures to Japan between 1990 and 1994 (Table 24). The products appear to be highly competitive, and hint at possibilities for bringing about a change in the North Korean by outside investment, not just from expatriate North Korean in Japan, but also by Japanese corporations themselves.

It has already been described how in the 1970's and 1980's, North Korea failed to attract long term investment by Japanese corporations, and in fact managed to reduce the chances of investment due to its default on loan repayments. But in the 1990's, North Korea has again looked to attract Japanese investment, and has thus opened up new opportunities for Japanese FDI and the extension of economic power which influence the future shape of the North Korean production system and economic, political, and security behaviour. This section will look at the theoretical possibilities of the exercise of Japanese economic power.

In chapter three it was argued that by the 1990's the ability of the Japanese state to control the component of economic power of FDI through the agency of private corporations was becoming more limited. The implication of this is that the direct economic power of the state is also limited, and as is also the ability to provide positive and negative economic sanctions to influence security behaviour. In the case of North Korea, though, the Japanese state's ability to exercise direct economic power may be greater due to the small scale of investments from Japan in North Korea and the perception among many policy-makers and businesses of North Korea as a clear security threat. The relatively small size of investments means that the state is more confident in being able to take steps to discourage or even block investments without damaging Japan's own economic interests. Moreover, the fact that most investments up until now have been made by the North Korean minority in Japan means that the Japanese state would meet less opposition if it acted to stop investments to a country viewed as a security risk and with which trade is carried out by a group politically weak within Japanese society.

The Japanese state in the case of North Korea also clearly disposes of the legal powers to hinder or prevent investment in the North under COCOM, the FEFTCL, and possibly under UN mandates if sanctions were ever imposed on the North. Hence, in terms of the ability to impose negative sanctions by obstructing existing or future flows of FDI to North Korea, the Japanese state is able to exercise more direct power over North Korea than over other states, and the effects of this are multiplied by the North's evident desperate need for Japanese FDI. Although it is clear that Japanese firms have been reluctant since the 1970's to invest in the North, the Japanese government's indifference to, or even deliberate prolongation by inaction of the *de facto* investment strike has exercised a powerful influence in North Korea by depriving it of essential FDI and weakening the economy and production system. From a realist perspective this could be said to have benefited Japanese security by exerting a form of direct economic power and negative sanctions on the North to reduce its national power and the threat to Japan.

However, it is also arguable that direct economic power and negative sanctions exercised in such a way are counterproductive. As the analysis of North Korean security behaviour has showed, the North's adventurist military strategy has resulted from economic desperation brought about by partly by the North's own policies and partly by the lack of investment contacts with other states. In the case of North Korea in the 1990's, the extension of direct economic power as a positive sanction in the form of easing restrictions on investment in the North may be more beneficial to Japanese security by helping to begin the process of stabilising and integrating the North Korean economy into that of Japan and the regional economy as a whole.

As has been seen, though, the Japanese state in pursuit of its security policy has a limited capability to persuade or cajole private corporations to invest in regions where they perceive the business opportunities to be poor. This is especially so in regard to North Korea which is seen to be ridden with political instability and to provoke security crises. Therefore, the lack of direct economic power to provide

positive sanctions leads to the conclusion that it is the growth of Japanese indirect power sponsored by the Japanese state which may be the most effective form of policy to deal with North Korea, and which has shown itself to be effective in creating the stable security environment of integration for Japan's relations with other states in Asia. Efforts by the Japanese government to create a stable environment for investment by Japanese firms in North Korea could have greater benefits for security than efforts to manipulate actively investment to the state's satisfaction in the form of direct economic power for negative and positive sanctions.

In the 1990's and with the interest shown by the states of the Asia-Pacific in regional economic integration, the role of Japan as a force for integration and stability has become even greater. The Japanese economy has already fulfilled a key role--in part actively acknowledged and sponsored by the Japanese government--of promoting integration between Japan, the NICs, and ASEAN. Japan is also expected to play a part in efforts to integrate the nations of Indo-China in the Mekong Delta project. Japanese aid, and even more importantly Japanese FDI, with the approval of the Japanese government will be crucial in efforts to rebuild and stabilise this formerly war-torn region with benefits for subregional and macro-regional security.

Japanese indirect economic power, pushed along by a silent partnership of private FDI and Japanese government initiatives to clear the political and economic obstacles to investment, is also essential to the integration of Northeast Asia and North Korea. The most obvious opening for Japanese indirect economic power in this respect is the Sea of Japan economic zone and the TRADP. It has already been explained how the economic rationale of these two projects is derived from the participation of Japan and its serving as the engine of growth for the region, and that Japan's input of management skills, technology, and FDI is vital for binding together the different resources of the countries in the region. It is clear that with only a minimal input of investment Japan would be able to kick-start and promote

rapid growth in this poor region.⁹⁶ Moreover, Japan's role in these economic projects is not merely altruistic, as its success would lead to economic benefits for Japan's relatively underdeveloped northern Sea of Japan coastline. The hope of some academic opinion has been that Japan's companies and government in tandem should play a major role in the development of the zone, and serve as an informal 'organiser of the region.'⁹⁷ It is argued that even if the Japanese government cannot play an open role in the development of the region due to political difficulties--most notably the lack of diplomatic relations with North Korea--it should encourage private enterprises skilled at creating the conditions of integration to do so, such as the Sôgôshôsha which have experience of pioneering the infrastructure for other private enterprises to follow. Complementary to this, a vital role is also seen for local governments in Japan to be given greater freedom by the central government to forge their own economic links with cities and regions in other countries in the Sea of Japan.⁹⁸

The success of the TRADP is also dependent upon the role of the Japanese state with implications for Japan-North Korea relations and the security of Northeast Asia.⁹⁹ Japan has been targeted by the North as a source of FDI for the TRADP and the ZFET, and this provides an opening for Japanese economic power into North Korea, and perhaps the occasion for the start of the North's integration into an emergent Sea of Japan regional community. Clearly, if political problems between the two Koreas are overcome, Japan can never match South Korean investment in the North as contribution to stabilising its economy and security. But it is believed that Japan does have the potential to make an important contribution to security through the integrative power of its FDI on North Korea through the device of the TRADP. As Nobukuni Makoto, an official of Niigata's ERINA

⁹⁶Interview with ERINA researcher, Tôkyô, 19 November 1996.

⁹⁷Shimakura Tamio, *Tôhoku Ajia Keizaiken no Dôtai--Tôzai Sekkin no Shinfurontia*, Tôkyô, 1995, Ajia Keizai Shuppankai, p. 299.

⁹⁸Taga Hidetoshi, 'Kannihonkai, Kôkai keizaiken no kadai', *Gekkan Shakaitô*, no. 462, January 1991, pp. 40-1.

⁹⁹Eui-Gak Hwang, *The Korean Economies*, pp. 306-8.

(Economic Research Institute for Northeast Asia) remarks on the potential security benefits of the TRDAP:

It will also create an opportunity to advance the causes of global development and international security, mitigating interregional income differentials and eliminating poverty as a major cause of regional conflicts. The enhanced security achieved in these ways will be substantial, but as yet remains unappreciated. For example, no serious discussions have been heard about how TRED [Tumen River Economic Development Area] might assist Japan in achieving a desirable resolution of the DPRK's nuclearisation policies.¹⁰⁰

There have now been identified in the form of the Sea of Japan economic zone and the TRADP opportunities for Japanese indirect economic power in the service of security policy. But there are also obvious restrictions on the exercise of this power. As pointed out earlier, Japanese corporations have been less than enthusiastic in wishing to invest in North Korea's ZFET, and have been conspicuous by their absence from the groups of foreign businessmen visiting the zone since late 1994. Takashima Kôichi the president of an Ôsaka-based electric furnace steel making company, Kyôsei Steel, was reported to have visited North Korea in July 1994 to investigate a joint venture for welding steel pipes in the Tumen area, and reported back to MITI afterwards.¹⁰¹ But rather than individual private companies, it is the privately-financed economic think-tanks in Japan that have shown the most enthusiasm for investment in the North. Japanese businessmen have shown more interest in Russian and Chinese economic zones close to Tumen. In 1994, for instance, the Keidanren, major Sôgôshôsha, and Japanese banks signed an agreement for investments in China's Hunchon SEZ, Jilin province, involving the purchase of land to construct electronics, food processing, spinning, and automobile parts plants.¹⁰² The attitude of Japanese businessmen to investment in the North's zone close by in Rajin-Sonbong is shown by the comments of one when visiting the zone in 1992: 'Nothing is going

¹⁰⁰Nobukuni Makoto, 'Required capital investment for the Tumen River Economic Development Area', *Atlantic Economic Journal*, vol. 24, no. 3, September 1996, p. 205.

¹⁰¹*Japan Times*, 19 October 1994, p. 12.

¹⁰²*Japan Times*, 9 December 1994, p. 12.

on here. If I had ¥10 million to invest, I wouldn't spend it here.¹⁰³ The attitude of Japanese government officials mirrors that of many businessmen, when asked in the mid-1990's how much interest there was currently in investing in the North, one official replied, 'none'.¹⁰⁴ The result of this indifference towards the North's ZFET is that by the mid-1990's the vast majority of investment from Japan continues to come from its North Korean minority.

The September 1996 investment forum in Rajin-Sonbong did little to rectify this situation. A number of delegates from Japanese corporations did attend the seminar in order to take stock of the investment opportunities. But most of these were Japanese *Sôgôshôsha* which showed only a limited interest in the zone, and none of the major manufacturing companies found as investors in other Northeast Asian countries was present.¹⁰⁵ Again, the only major investment coming from Japan was by a member of the North Korean community.

The reasons for this reluctance to invest are both political and commercial, and are explored in more detail in chapter six. In order to remove the impediments to Japanese FDI and activate Japanese indirect power for security ends, it is becoming increasingly clear that the Japanese government needs to take a political initiative to restore confidence for corporations to invest in North Korea.

NORTH KOREAN FINANCE

Chapters two and three demonstrated the crucial role of the component of finance for international political stability and how it forms an important part of Japan's economic power portfolio. The following section will now investigate the structure

¹⁰³Far Eastern Economic Review, 'Zone of dreams', p. 30.

¹⁰⁴Michael J. Mazaar, *North Korea and the Bomb: A Case Study in Non-proliferation*, London, Macmillan, 1995, p. 75.

¹⁰⁵Hasegawa Hiroshi, 'Sekkyoku shinshutsuron wa koritsu shite iru: Nihon no kigyô wa dô mite iru ka', *AERA*, no. 44, October 1996, pp. 8-9.

of North Korean finance, its general vulnerability, and its exposure to the application of economic power by Japan.

Structure and vulnerability

The principles of *juche* ideology have meant an emphasis upon self-reliance in economic affairs, and to some extent this has also dictated financial policy. Most important for the North Korean regime has been the aim of avoiding dependence and vulnerability in borrowing from foreign banks and international financial institutions. The levers of finance have remained firmly under the control of the North Korean state. The Central Bank (established in 1946) aids the implementation of government economic plans, and supervises the accounts of other banks such as the Industrial Bank (1964). The Foreign Trade Bank (1959) handles international settlements from foreign trade and is also closely regulated by the Central Bank.¹⁰⁶ North Korea is not a member of financial institutions such as the World Bank or the IMF, and the small size of its foreign trade has meant that it was not incorporated into the USSR's rouble bloc during the Cold War, and in the period after the Cold War has remained outside any US dollar or Japanese yen dominated bloc. North Korea appears as one of the most financially isolated nations in the world, with little dependence on outside sources of finance. Its banking and financial borders are not as porous as those of other nations, and this would suggest that North Korea is immune to the application of direct and indirect economic power from outside powers.

But despite the closed nature of the North Korean economy and financial system, it is also clear that the North has been and is increasingly becoming dependent on foreign finance in various ways. The debt problem that has existed since the 1970's has hindered North Korean economic development because of the inability to gain the hard currency necessary to purchase technology. This hard currency can only be gained from foreign sources, and this has left the North

¹⁰⁶Nena Vreeland, *et al.*, *Area Handbook for North Korea*, pp. 236-7.

vulnerable either to the blocking of further access to external finance, or to the opening up of its financial system to external finance in the future. North Korea has also become dependent for finance on the North Korean community in Japan, whose assistance often flows via Japanese and foreign banks, leaving the North exposed to economic pressure by the cutting of these flows. Finally, in the desperate search for hard currency, the North Korean government appears to have been forced to engage in illicit methods to raise finance, again leaving it vulnerable to external pressures.

Table 19: North Korea's external debt by creditor at the end of 1989 (US\$ millions)

	Amount	Date incurred
Western bloc		
Morgan Grenfell (lead manager)	240	1973
ANZ Bank (lead manager)	643	1973-74
Japan	530	1972-75
France	227	1970-74
Former West Germany	350	1973-77
Sweden	146	1970-74
Austria	102	1971-75
Others	504	
Sub-total	2,742	
Communist countries		
USSR	3,133	1971-89
China	903	1971-89
Sub-total	4,036	
Total	6,778	

Source: South Korean National Unification Board. Cited in Economist Intelligence Unit, *Country Profile: China and North Korea 1992-93*, p. 89.

It has already been related how the North Korean debt problem, which has lasted from the 1970's until the present day, was a product of the Six Year Plan's introduction of Western and Japanese technology which the North was ultimately unable to pay for. According to North Korean explanations, the reason for its defaults on repayments was that the Oil Crises of the mid-1970's caused both a fall in prices and a shortage in shipping available for its hard currency earning raw material exports. It is difficult to find accurate figures for the total debt incurred by North Korea, but Table 19 provides one summary of North Korea's accumulated debt as of 1989 with the socialist bloc and the Western bloc, including Western European, Australian, New Zealand, and Japanese banks. Throughout the 1970's

and 1980's, North Korea continued to default on its loans and refused to meet its commitments on terms acceptable to its creditors.

By 1989, North Korea is estimated to have owed the Western bloc, excluding Japan up to US\$2,742 million. North Korea had stopped repayments on its debts altogether by March 1984, and in a 1983 list of the creditworthiness of 109 countries compiled by a Danish bank, North Korea was reported to have come bottom.¹⁰⁷ In February 1985, a diplomatic spat between North Korea and Sweden was caused by the latter's demands for the repayment of US\$77 million owed since 1970. In 1987, a syndicate consisting of a total of 140 to 170 banks in two groupings led on one side by Morgan Grenfell of the UK, and on the other by the Australian and New Zealand Banking Group prepared to declare North Korea in default of its loans. The syndicate was reported to be preparing legal proceedings in London to confiscate North Korean assets, including diplomatic property and gold exports. The threat of legal action seems to have persuaded North Korea to start negotiations in July and August 1987 in Vienna on the rescheduling of debt repayments. At these negotiations a fifteen year deferment on repayments with North Korean gold as collateral was proposed. Eventually the negotiations failed, and in August of the same year the syndicate obtained a court injunction in London to begin legal actions once more against North Korea. In September, North Korea was forced to return to negotiations and secured an agreement for a twelve year repayment schedule, with a four year period of grace before it started. North Korea was to pay interest at an initial rate of 1.75 per cent, falling to 1.5 per cent after three years, and then to 1.25 per cent for the remaining years. The North was given a deadline of October to sign the agreement, but then later demanded to renegotiate the payments. This led to a new proposal in 1988, for 70 per cent of North Korea's debt to be written-off, with the remaining 30 per cent to be repaid according to a strict timetable by December 1991, and with a US\$5 million payment up front. This proposal satisfied Morgan Grenfell, but the Australian and New Zealand Banking

¹⁰⁷Economist Intelligence Unit, *Country Report: China and North Korea*, no. 4, 1985, p. 47.

Group rejected the proposal as a larger proportion of its grouping's debt was to be written-off. Dissent within the syndicate took the immediate pressure of North Korea, which promptly stopped all debt repayments. There were rumours in 1989 that North Korean officials had visited Sweden for new talks on the US\$200 million debt, but up to the present day the North Korean debt problem remains unsolved.¹⁰⁸ Recent estimates by South Korean sources in 1996 even suggest that North Korea's accumulated foreign debt may have climbed to US\$11.6 billion, or nearly half the value of North Korea's estimated GNP.¹⁰⁹

Direct financial links between North Korea and Japan started with the establishment of a correspondent banking contracts by Mitsui Bank and Sumitomo Bank with the Foreign Trade Bank of North Korea in September 1963 and June 1964 respectively. Similar agreements were later signed between North Korea and the following Japanese financial institutions: Asahi Bank, Ashikaga Bank, Bank of Tokyo, Daiichikangyô Bank, Fuji Bank, Hokkaidô Takushoku Bank, Long Term Credit Bank of Japan, Mitsubishi Bank, Mitsubishi Shintaku Bank, Sumitomo Bank, Sanwa Bank, Sakura Bank, and Tôkai Bank. The Ashikaga Bank has links with a number of other North Korean banks, including the Credit Bank of Korea and the Korea Chanwan Credit Bank.

The debt problems of the 1970's also effected Japanese banks and corporations--one subsidiary of Mitsui, Shinwa Bussan, holding up to half the total North Korean debt with Japan. In 1973, the Japanese government granted permission for the provision of finance to North Korea, but by the second half of 1974, the North had become late with its payments, and MITI stopped export credits. North Korea asked for a six month extension on its loans in March 1975. Following the visit in July 1975 of LDP member Utsunomiya Tokuma to the North, the North secured the six-month extension, and agreed to repay ¥30 billion in loans. In December

¹⁰⁸Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1985, p. 37, no. 4, 1985 p. 47; no. 3, 1987, p. 38; 4th Quarter 1987, p. 34; no. 3, 1988, p. 42; *Japan Times*, 3 September 1988, p. 12; Ôyama Shigeru, '86nen no Nichô bôeki', in JETRO, *Kitachôsen no Keizai to Bôeki no Tenbô: 86nen no Kaiko to 87nen no Tenbô*, Tôkyô, JETRO, 1987, p. 73.

¹⁰⁹*Japan Times*, 13 July 1996, p. 4.

1976, the Japan-Korea Trade Association and the North Korea Foreign Trade Bank agreed to extend ¥800 billion of repayments over two to three years, and that the repayments would start in 1977, to conclude between 1981 and 1984.¹¹⁰ But the North paid only one and half of the initial repayments agreed, and failed to repay two others completely. In January 1978, North Korea demanded an extension of repayments by a further three years. Following this, in October 1979, the Japan-North Korea Consultative Committee on Debt Repayments and the North Korean Foreign Trade Bank agreed to a new series of twice yearly repayments extended from 1980 to 1989, and in December of the same year North Korea met its first obligation for a repayment of ¥600 billion in interest. Between 1980 and 1981, North Korea managed, sometimes erratically, to fulfill its debt repayment obligations, but in April 1983, it again demanded an extension of payments, this time until after 1986. Another agreement was then reached between the Japan-North Korea Consultative Committee on Debt Repayments and the North Korean Foreign Trade Bank, but after the imposition of limited sanctions on North Korea in November 1983 for the Rangoon bombing, North Korea retaliated by stopping all debt repayments to Japan. In October 1986, MITI paid Japanese companies ¥300 billion in compensation for losses incurred in trading with the North.¹¹¹ During the visit of the Japan-North Korea Trade Association to the North in April 1990, the grievances of Japanese trading companies were raised, and in April 1994, Japan rejected a North Korean proposal for a ten year moratorium and fifteen year schedule on repayments. The Japanese side wanted a five year schedule, but there was agreement at least that North Korea owed ¥50.22 billion in debt and ¥26.2 billion in accumulated interest.¹¹² In 1991, the debt problem became one of the main issues of normalisation talks, but the failure of the normalisation process meant that the problem remained unsolved and North Korean debts unpaid.

¹¹⁰Kawai Hiroko, 'North Korean open door policies and trade with Japan--the effects and function of Japan and DPRK trade', in Okonogi Masao (ed.), *North Korea at the Crossroads*, p.148.

¹¹¹Tamaki Motoi, 'Nihon no tai Kitachôsen keizai kyôryoku', in JETRO, *Kitachôsen no Keizai to Bôeki no Tenbô: 90nen no Taikô to 91nen no Tenbô*, Tôkyô, JETRO, 1991, pp. 119-123.

¹¹²*Japan Times*, 28 August 1990, p. 10, 5 April 1991, p. 10.

The persistence of North Korea's debt problem with the Western countries and Japan has had important consequences for the North Korean economy. The extent of the North's debt is small compared with that of the South. In 1991, South Korea's total debt was US\$39 billion, with a per capita debt of US\$1,400, in contrast to US\$200 for the North.¹¹³ But despite the relatively small size of the North Korean debt, it is a major burden for the North economy and is equivalent to the total of a whole year's North Korean trade. Furthermore, the existence of the debt is made even more important by its having worked to block the North's access to external finance from the West for development.

The inability of North Korea to obtain finance from external sources has forced it to exploit to the full alternative sources of finance from the North Korean community in Japan. The previous section on production outlined the financial contributions made by North Koreans descendants in Japan to the North in the form of 'Patriotic Factories'. These forms of free investment finance are also supported by cash remittances to the North, which drew attention in 1993 and 1994 as the centrepiece of US plans for UN sanctions on North Korea in response to the nuclear crisis. The remittances are carried to the North from Japan in two ways. The first of these is the physical transfer of cash by human flows between North Korea and Japan, generally on ferry ships from ports such as Niigata. Some commentators have estimated that as each visitor may carry up to ¥3 million, then given the total number of visitors from Japan to North Korea every year the total transfer of remittances in this way may be ¥60 billion.¹¹⁴ The secret government report of 1994 mentioned in chapter four reveals that this figure was accepted by the MOF, but persons connected with the Chôsensôren claim this figure is exaggerated.¹¹⁵

¹¹³Economist Intelligence Unit, *Country Report: China and North Korea*, no. 1, 1985, p. 33.

¹¹⁴*Time International*, 'The Japanese connection', 11 October 1993, p. 36.

¹¹⁵Asô Iku, 'Seifu naibu bunsho', p. 202; Chan Myon-Su, 'Kiko senjô no kenkin kôsa,' in Beesatsu Takurajima no. 221, *Chôsensôren no Kenkyû: anata no tonari no Kitachôsen*, Tôkyô, Takarajimasha, 1995, p. 118.

The second flow of remittances is by bank transfer. Individual transfers that can be traced and require MOF registration (not approval) are remittances from relatives (over ¥5 million); investments and profits from joint ventures (¥30 million and ¥10 million respectively); and payments for trade imports. The cash transfers pass through the Japanese banking institutions listed above, and via the Chûgoku Bank in London and the Nanyôshôgyô Bank in Hong Kong, and then they are passed on to the North Korea Foreign Trade Bank. The main route for transfers is the Ashikaga Bank in Tôkyô, which either receives them directly from the sender in Japan before passing them to North Korea Foreign Trade Bank, or indirectly from the sender via one of the foreign exchange banks and then passes them on to North Korea.¹¹⁶ Either way, the Ashikaga Bank is the convergence point for currency transactions with the North. Finally, the North Korean regime has been accused of extorting money from the families of relatives in North Korea, and by fraud, as in a case reported in 1993 in which to satisfy the request of Kim Il Sung ¥82 billion was taken from the Chôsensôren-associated Chôgin Ôsaka Shinyô Kumiai without authorisation from depositors.¹¹⁷ These remittances, or *sôkin*, have become an essential form of cheap finance for the North Korean regime.

The other form of alternative finance that North Korea is believed to have been exploiting in its search for funds is the illicit economy of forgery. In June 1994, the President of the North Korean Chongwan Trading Company and the holder of a diplomatic passport was arrested in Macau for passing counterfeit US\$100 bills.¹¹⁸ Evidence of the North's activity in channelling via China has continued to emerge, and in March 1996 a member of the Japanese Red Army who had sought refuge in the North after the kidnapping of the Yodo Flight in 1970 was arrested in Cambodia for trafficking in counterfeit dollar bills thought to have originated in North Korea.¹¹⁹ That this member of the Japanese Red Army was able to obtain

¹¹⁶Miyatsuka Toshio, 'Kitachôsen ni okeru gappei jigyô no tenkai ni tsuite', p. 123.

¹¹⁷Chan Myon Su, 'Kiko senjô no kenkin kôsa,' pp. 126-7.

¹¹⁸Economist Intelligence Unit, *Country Report: China and North Korea*, 3rd Quarter 1994, p. 53.

¹¹⁹Ron Moreau and Russell Watson, *Newsweek*, 'Is your money real?', 10 June 1996, pp. 10-14.

permission to travel outside North Korea is perhaps suggestive of a measure of official involvement in the operation.

Whether or not these bills really originated in North Korea, whether it has the technology to produce them, and whether those caught were acting with government approval, cannot be known, but what these reports do show is the desperation for funds of some figures connected closely to the regime. The North since the 1970's has exercised a mix of resilience, adjustment, substitution, and availability in its efforts to overcome being shut off from external sources of finance. For instance, it has been prepared to exercise resilience by refusing to pay its debts for over twenty years, and it has also managed to find availability by cash remittances from North Korean descendants in Japan, and possible even forgery. But North Korean resilience and availability now seem to have reached their limits, leading to new vulnerability, and so allowing the application of external direct and indirect economic power on North Korea. The next question is to ask what type of power Japan can exercise within the component of finance and the benefits for security policy.

Japanese financial power and North Korea

The extent of Japan's economic power in finance was outlined in chapter three with the main conclusion that, with regard to the provision and flows of finance, the Japanese state exercised only limited economic power, but greater indirect power through its connections with a Japanese financial industry of great weight and size. With regard to the international monetary system, the emergent yen bloc in Asia was seen as also providing Japan with a great deal of indirect economic power. The case of North Korea, isolated as it is from the international monetary system, would seem to offer limited opportunities for integration with benefits for security based on the linking of the state economy to the yen. Thus it may be North Korea's connections with and search for more external sources of finance that provide Japan with a measure of indirect and direct power.

The most obvious source of Japanese direct economic power over North Korea is through the state's control of remittances from North Koreans resident in Japan, and this inevitably came within the scope of the US sanctions plan in 1994, the second stage of which would have entailed the severance of all cash flows to the North. In the run-up to the height of the crisis in 1994, the Japanese government was under increasing pressure from the US to investigate ways to stop the flow of remittances. As a result, in late 1993 and mid-1994 the government began secret internal discussions on how to stop the human and bank-carried transfers to the North.¹²⁰

The report which came out of these discussions concluded that the government was likely to be able to stop the passage of people to the North carrying remittances as the government had precise numbers for the visas issued for reentry into Japan, and the legal powers to deny access to reentrants from North Korea to Japan.¹²¹ Moreover, the Japanese government already had some experience of imposing limits to travel after the use of sanctions on North Korea for the Rangoon bombing of October 1983 (sanctions in place from 11 November 1983 to 1 January 1985), and for the downing of a South Korean airliner in November 1987 (sanctions in place from 26 January 1987 to 24 September 1988). These limited sanctions placed restrictions on air and sea transport, and reduced effectively the numbers of those able to travel between the two countries. Hence, during the height of the nuclear crisis in 1994 and afterwards, the Japanese state has had the capability to impose this form of negative sanction on the North. But to the Japanese government this is clearly an unattractive option on political grounds, and, as Hata Tsutomu argued when Foreign Minister in 1994, on human rights grounds, with the Japanese government stating that for this reason it was reluctant to restrict travel by North Koreans in Japan to their ancestral homeland.¹²²

¹²⁰Interview with former MOFA official, Tōkyō, 11 December 1996.

¹²¹Asō Iku, 'Seifu naibu bunsho', p. 200.

¹²²Shōgin, *Gaimuniinkaigiroku*, 3 April 1994, no. 1, p. 12.

The report of 1994 also investigated the effect of stopping cash remittances via banks to North Korea, and concluded that this would be a far more difficult operation. This to some extent matches public pronouncements by the government that separating legitimate flows of international finance from those going to North Korea even under sanctions conditions would be very difficult. The report noted that it was hard to stop those remittances which do not require MOF notification, and that even if the existing routes for remittances were closed off they could rerouted through a third country if it did not participate in sanctions.¹²³ However, it does appear that the MOF did test the feasibility of stopping remittances in May 1994, when all dollar-based remittances from the Ashikaga Bank ceased abruptly.¹²⁴ Any connection with the sanctions policy was denied by the MOF and Ashikaga Bank at the time, but it did look very much as if the state had exercised sufficient power to stop remittances over the short term, despite the acknowledged technical difficulties. But even though the MOF may have secured the agreement of the Ashikaga Bank to halt remittances, government policy encountered opposition from the banking industry and *zaikai*. Morikawa Toshio, the Chairman of the Federation of the Bankers' Association of Japan, in a speech in June 1994 opposed the stoppage of remittances to North Korea fearful that it would damage the business and place costs on the Japanese banking industry as a whole.¹²⁵

The evidence from the case of remittances suggests that the Japanese state does indeed possess direct economic power to impose negative sanctions on North Korea to punish it for its behaviour in a crisis situation. The sanctions option is even believed by some to have sufficient effect to be able to induce the collapse of the North Korean economy as its financial lifeline to Japan is cut--a demonstration of the strength of Japanese indirect power in this component of economic power.

But at the same time, the problems of the use of direct economic power in the case of North Korea have to be noted. The threat of sanctions may have been able

¹²³Asô Iku, 'Seifu naibu bunsho', p. 202.

¹²⁴*Asahi Shimbun*, 20 May 1994, p. 2.

¹²⁵*Japan Times*, 1 June 1994, p. 12.

to influence North Korea behaviour, but also the threat may have only served to make North Korea more adventurist in its policy, convincing it of the need to persist with military pressure in order to secure economic gains. Additionally, in the actual event of the imposition of sanctions, the possible collapse of the North Korean economy which they might cause would simply generate another security crisis of economic dislocation and refugee flows. Instead of direct economic power used to impose negative economic sanctions, a more efficacious option for security over the long term, and in a situation other than an immediate crisis, may be for the provision of positive economic sanctions by Japan to improve economic ties between the two countries and to help initiate a process of integration. The North's desperate need for funds in the period after the nuclear crisis presents Japan with a chance to offer positive sanctions on finance. These can taken the form of helping to deal with the debt problem which has persisted since the 1970's, and which is one of the principal blocks to increased FDI and economic cooperation with the North. As has been discussed, the North's debt is comparatively small, and Japan as part of an economic consortium, and in conjunction with normalisation efforts, could contribute to solving the debt problem as it has done with other developing nations. The tackling of the debt problem could provide major benefits to security over the long term. It is of course possible that North Korea could fail to cooperate and renege on its promises as it has done in the past over the question of debt repayments, and there is opposition from the Japanese business community over dealing with the North on the issue of finance again. But a Japanese initiative in the area of finance to provide positive sanctions argues for a more effective approach to the North Korean security problem than allowing the debt crisis to cripple all other efforts to increase integration with the North economically.

NORTH KOREAN TRADE

Chapter three concluded that Japan can derive both direct and indirect power from the economic component of trade. This section now looks at North Korean trade and trading links with Japan to discover how far Japanese economic power could work for security ends in the case of North Korea.

Structure and characteristics

North Korean trade policy, as with that of finance, is an expression of *juche* ideology in its attempt to avoid dependence on other states, but also of a degree of pragmatism which recognises that foreign trade is essential for North Korea's economic development. Trade has been regarded by the North Korean regime as important to allow the acquisition of foreign technology to strengthen the industrial base of the state, and overall strategy has concentrated on the transformation of North Korea from simply an exporter of raw materials to an exporter of manufactured products. In the past North Korea was able to look to markets in the socialist bloc and in the developing world, but also has viewed the West as an important source of technology imports and a market to earn hard currency.¹²⁶ North Korea's trade policy has had some notable achievements, but as with all other sectors of the economy, signs of increasing vulnerability have emerged.

North Korean trade is conducted entirely by the state's Ministry of Foreign Trade, the Ministry of External Economic Affairs, the Foreign Trade Bank, and a number of trading organisations regulated by them. However, it may be possible that there is some uncontrolled crossborder trade with Russia and China in the 1990's.¹²⁷

¹²⁶Eui-Gak Hwang, *The Korean Economies*, pp. 201-2

¹²⁷Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 303. In 1996 it was reported that there was thriving illegal trade over the border between China and North Korea, reputed to be worth up to US\$300 million and to involve up to 100,000 people. One popular form of trade is the sale of used Japanese cars. The Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 4th Quarter, 1996, p. 47.

The total value of North Korean trade is small in world terms, but has increased from US\$105.3 million in 1955, to US\$771 million in 1970, to US\$2,020 million in 1975, and then to US\$3,525 million by 1986. In terms of the direction of trade, the overwhelming majority of North Korea trade was with the socialist world until the mid-1980's, although the North's regime was concerned to diversify trade with other countries. 99.6 per cent of all North Korean trade was with the socialist nations in 1955; 78.1 per cent in 1970; and 75.2 per cent in 1986. Among the socialist nations the USSR was dominant, accounting for 80.6 per cent of total North Korean trade in 1955; 50.5 per cent in 1970, and 51.7 per cent in 1986. The balance of trade in this period was firmly in the USSR's favour. A series of long-term trade agreements provided trade credits and a form of most favoured nation status for North Korea in the USSR's economic sphere, including the Treaty Concerning Economic and Cultural Cooperation of 1949; and the second and third long-term agreements on commerce and cooperation signed in 1960 and 1966 and running from 1961 to 1967 and 1967 to 1970 respectively.¹²⁸

Table 20: Proportion of North Korean trade by region and country 1955-1985 (% of total North Korean trade)

	Socialist countries	USSR	China	Capitalist countries	Japan	Developing countries
1955	100.0	80.6	9.0	n.a	n.a	n.a
1960	96.0	35.7	n.a	3.7	n.a	n.a
1965	88.9	40.4	n.a	n.a	n.a	n.a
1970	78.1	50.5	15.0	19.4	7.4	2.5
1975	59.5	24.5	24.4	31.4	12.8	9.1
1980	55.4	26.6	19.8	27.9	16.6	16.7
1985	70.2	44.5	16.2	20.1	14.5	9.7

Source: Joseph Sang-hoon Chung, *The North Korean Economy: Structure and Development*, Stanford, California, Hoover Institution Press, 1974, pp. 110-11; Komaki Teruo, 'Current status and prospects of the North Korean economy', in Okonogi Masao (ed.), *North Korea at the Crossroads*, Tôkyô, Japan Institute of International Affairs, 1988, p. 53.

¹²⁸Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 110-11, 117-19; Komaki Teruo, 'Current status and prospects of the North Korean economy', p. 53.

Table 21: North Korea's main trading partners 1986-93 (US\$ millions)

	Jan-Dec 1986	Jan-Dec 1987	Jan-Dec 1988	Jan-Dec 1989	Jan-Dec 1990	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993
USSR/ CIS								
Exports	642.0	682.7	887	890.7	1,047.4	563*	65.2*	100*
Imports	1,186.5	1,391	1,922.0	1,641.1	1,667.9	858*	227.1*	500*
Balance	-544.5	-708.3	11,035	-750.4	-620.5	-295	-161.9	-400
China								
Exports	255.2	214.7	212.3	166.7	141.5	85	155.5	300
Imports	280.8	304.8	379.9	398.5	404.4	524	541.1	600
Balance	-25.6	-90.1	-167.6	-231.8	262.9	-439	-385.6	-300
Total trade balance with rest of the world	-723	-1,099	-1,377	-1,2129	-1.072	-1,040	-220	-400

*estimated figure

Source: Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 1st Quarter, 1993, p. 40; 1st Quarter, 1995, p. 62.

China has been the North's second most important trading partner, accounting for 9.5 per cent of total trade in 1955, 15 per cent in 1970, and 15.2 per cent in 1986; usually the North managed to avoid a deficit with China. Trade between North Korea and China was also governed by a series of bilateral protocols: the Treaty Concerning Economic and Cultural Cooperation (1953); the Long Term Trade Agreement (1959-62); the Treaty Concerning Commodity Trade Between Border Areas (1958); the Treaty of Friendship, Cooperation and Mutual Assistance (1961); the Commerce and Navigation Treaty (1962); and the Treaty Concerning Marine Navigation (1962).¹²⁹ North Korea has also carried out trade with Cuba and the former socialist nations of Eastern Europe.

The composition of North Korea-USSR trade changed over time. In the period after the initiation of trade contacts North Korea exported raw materials, but by the 1970's exports had come to include rolled steel, magnesite powder, clothing, and rice. The main imports from the USSR were agricultural and industrial machinery, transport machinery, petroleum products, coking coal, base metals, and food, including wheat and flour. North Korean exports to China were similar to those to

¹²⁹Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 121-2.

the USSR, as were imports, but with a larger proportion made up of energy resources.

Before 1955, North Korea did not trade with the non-communist world, but by 1959 non-communist country trade had grown to 2.4 per cent of total trade, rising to 19.4 per cent in 1970, 31.4 per cent in 1975, but falling back to 16.1 per cent in 1986.¹³⁰ The sharp increase in trade with the rest of the world was a result of the Six Year Plan and its aim of importing Western technology. The fall in trade by 1986 can be explained by the debt problems of the North following the failure of the Six Year Plan. The composition of trade with the non-communist world since the 1970's around half of North Korea's exports have consisted of manufactured products such as processed zinc, pig iron, and metallic ores, and that the majority of its imports have been machinery, textiles, fabrics, and foodstuffs. During the 1970's, it even seemed as if the West might displace the USSR as the North's largest supplier of machinery as it continued to suck in imports of Western technology.

After the USSR and China, North Korea's third largest trading partner overall, and largest trading partner from the non-communist world was Japan. In the post colonial period of the 1950's, trade between Japan and North Korea was interrupted. But in October 1955, three Japanese trading companies--Tôhshôkai, Tôkôbutsu, and Wakô Kôeki--agreed to trade with the North via Hong Kong and Chinese ports, and in June 1956, the Japan-Korea Trade Association was established for the promotion of trade between the two countries. The Nagasaki Flag Incident of 1958 led to a cessation of Japan-China trade and hence trade Japan-North Korea trade as well.¹³¹ Trade was not resumed again until June 1959. In April 1961, the Japanese government recognised direct trade with North Korea, and in November 1962 the first cargo shipments commenced between Japan and

¹³⁰Joseph Sang-hoon Chung, *The North Korean Economy*, pp. 110-11, 117-19; Komaki Teruo, 'Current status and prospects of the North Korean economy', p. 53.

¹³¹The Nagasaki Flag Incident occurred on 2 May 1958 when Japanese youths in a department store in Nagasaki desecrated a PRC (People's Republic of China) flag. Using this as a pretext, China cut off trade with Japan, although in fact the real cause for the Chinese move was Prime Minister Kishi Nobusuke's visit to Taiwan the previous year.

North Korea. July 1964 saw the signing of two trade agreements: the Agreement Between the Japan-Korea Trade Association and the DPRK International Trade Promotion on Contacts Between Japanese and DPRK Trading Companies, and the General Conditions Covering Transactions Between Japanese and DPRK Trading Companies. These agreements were later revised in August 1965, June 1968, and September 1985. In May 1970, the first North Korean trade exhibition was held in Tôkyô. The result of these improved conditions for trade was that by 1970 Japan-North Korea trade had risen to around US\$60 million a year, and accounted for 7.4 per cent of total North Korea trade.¹³²

The Six Year Plan implemented in 1970 stimulated further trade between Japan and North Korea, and especially the trade in technology. In March 1972, the Korea-Japan Export-Import Trading Company was set up in Tôkyô, and in June of the same year the Kyôwa Bussan Trading Company was also established, backed by twenty large Japanese companies, including Nippon Steel and Tôshiba, and which was capitalised at ¥100 million. Kyôwa Bussan then became involved in joint efforts with Danish company to set up a 3 million ton capacity cement factory in the North costing US\$160 million.

Japan-North Korea trade changed both in size and composition over time. It rose from a total of US\$60 million in 1970, to US\$360 million in 1974, and then dropped to US\$245 million by 1975 (Table 22). By 1975 trade with Japan made up 12.8 per cent of total North Korean trade (Table 20). North Korea moved into a deficit with Japan, mainly due to the increased import of machinery, transport equipment, synthetic fibres, plastics, textiles, and electrical machinery. In return, the North exported to Japan sulfates, wood pulp, processed zinc, magnesium, fish and other foodstuffs.

¹³²Aoki Kazuo, '89nen no Nicchô bôeki', in JETRO, *Kitachôsen no Keizai to Bôeki no Tenbô: 89nen no Kaiko to 90nen no Tenbô*, Tôkyô, JETRO, 1990, pp. 156-60; Kawai Hiroko, 'North Korean open door policies', pp. 147-8.

Table 22: North Korea-Japan Trade 1961-1996 (US\$ millions)

	Exports to North Korea	Imports from North Korea	Total value of trade	Balance of trade
1961	4,938	3,976	8,914	962
1962	4,781	4,553	9,334	228
1963	5,347	9,430	14,777	-4,083
1964	11,284	20,231	31,515	-8,947
1965	16,505	14,723	31,228	1,782
1966	5,016	22,692	27,708	-17,676
1967	6,370	29,606	35,976	-23,236
1968	20,748	34,032	54,780	-13,284
1969	24,159	32,186	56,345	-8,027
1970	23,344	34,414	57,758	-11,070
1971	28,907	30,059	58,966	-1,152
1972	93,443	38,311	131,754	55,132
1973	100,160	72,318	172,478	27,842
1974	251,914	108,824	360,738	143,090
1975	180,630	64,839	245,469	115,791
1976	96,056	71,627	167,683	24,429
1977	125,097	66,618	191,715	58,479
1978	183,347	106,862	290,209	76,485
1979	283,848	152,027	435,875	131,821
1980	374,305	180,046	554,351	194,259
1981	290,995	139,476	430,471	151,519
1982	313,162	152,026	465,188	161,136
1983	327,077	126,149	453,226	200,928
1984	254,719	145,218	399,937	109,501
1985	247,069	179,293	426,362	67,776
1986	183,971	173,229	357,220	10,742
1987	213,739	241,744	455,483	-28,005
1988	238,883	324,649	563,532	-85,766
1989	197,001	298,678	495,679	-101,677
1990	175,900	300,282	476,182	-124,382
1991	223,993	283,574	507,567	-59,581
1992	223,025	258,560	481,585	-35,535
1993	219,654	252,351	472,005	-32,697
1994	170,780	322,684	493,464	-151,904
1995	254,957	339,680	594,637	-84,723

Source: Oyama Shigeru, '86nen no Nicchō bōeki', in JETRO, *Kitachōsen no Keizai to Bōeki no Tenbō: 89nen no kaiko to 87nen no tenbō*, Tōkyō, JETRO, 1987, pp. 100-1; Aoki Kazuo, '89nen no Nicchō bōeki', in JETRO, *Kitachōsen no Keizai to Bōeki no Tenbō: 89nen no kaiko to 90nen no tenbō*, Tōkyō, JETRO, 1990, pp. 108-109; Tamaki Motoi, 'Nihon no taikitachōsen keizai kyōryoku', in JETRO, *Kitachōsen no Keizai to Bōeki no Tenbō: 1991han*, Tōkyō, JETRO, 1991, pp. 113-4; Tsūshōsangyōshōhen, *Tsūshōhakusho 1964-96*, Tōkyō, Ōkurashō Insatsukyoku.

Table 23: Composition of Japanese exports to North Korea 1983-96 (%)

Item	1983	1984	1985	1986	1987	1988	1989
Textiles	5.1	4.6	5.6	7.3	6.5	7.7	11.3
Non-metallic ores	1.2	1.1	2.0	2.6	2.2	2.4	1.8
Light industry products	10.4	14.0	13.6	11.1	10.5	9.7	10.9
Chemical products	10.1	8.9	10.0	10.0	10.1	9.0	8.2
Metallic products	15.5	12.7	13.7	13.7	16.7	9.4	7.1
General machinery	23.2	25.1	23.1	20.2	24.1	22.2	25.4
Electrical machinery	12.8	12.8	10.6	13.3	14.3	12.5	14.9
Transport machinery	12.7	11.2	11.6	12.5	6.8	8.1	11.5
Precision machinery	2.0	2.5	1.3	2.1	1.7	1.8	1.7
Others	7.0	7.1	8.5	7.0	7.1	17.3	8.0

Item	1990	1991	1992	1993	1994	1995
Textiles	15.9	17.5	27.8	26.1	39.1	33.0
Non-metallic ores	2.3	1.9	1.5	1.1	1.2	1.0
Light industry products	14.2	11.6	11.3	10.9	11.1	9.6
Chemical products	10.1	9.3	7.8	4.8	4.3	3.4
Metallic products	9.3	9.3	5.5	3.8	5.4	3.6
General machinery	23.1	21.8	18.4	12.5	13.4	9.0
Electrical machinery	10.1	12.3	12.0	7.1	10.0	8.1
Transport machinery	5.7	7.9	7.8	23.8	8.7	7.3
Precision machinery	1.3	1.5	1.8	1.2	0.8	0.2
Others	8.2	6.8	6.1	8.5	5.8	25.5

Source: Tsûshôsangyôshôhen, *Tsûshôhakusho 1985-96*, Tôkyô, Okurashô Insatsukyoku, 1985-95.

Table 24: Composition of Japanese imports from North Korea 1983-96 (%)

Item	1983	1984	1985	1986	1987	1988	1989
Fish products	27.9	21.8	14.6	20.5	23.2	21.0	22.1
Vegetable and fruit products	11.2	10.3	9.8	10.2	9.7	5.6	9.4
Raw materials	23.8	20.0	10.8	11.5	7.2	7.4	9.3
Fuels	1.2	2.8	6.5	0.4	6.2	6.9	8.3
Textile manufactures	-----	-----	-----	-----	-----	2.1	4.9
Metal products	27.9	28.6	36.5	36.8	32.6	32.1	40.3
Other products	-----	-----	-----	-----	-----	2.2	1.4

Item	1990	1991	1992	1993	1994	1995
Fish products	17.1	19.8	23.4	21.3	15.6	19.4
Vegetable and fruit products	13.9	7.8	9.2	9.2	22.0	12.6
Raw materials	9.0	6.0	5.9	4.0	3.1	4.2
Fuels	8.4	8.3	6.8	8.1	5.9	5.0
Textile manufactures	9.0	14.1	25.7	37.1	28.6	37.7
Metal products	38.0	38.1	22.4	12.6	10.6	8.5
Other products	2.8	2.9	1.7	1.5	1.5	2.2

Source: Tsûshôsangyôshôhen, *Tsûshôhakusho 1985-96*, Tôkyô, Okurashô Insatsukyoku, 1985-95.

After the mid-1970's, though, Japan-North Korea trade was affected by the debt problem and began to stagnate in volume and value. Table 22 shows that the value of trade continued to rise until the 1980's, but this was mainly due to the depreciation of the dollar against the yen, and since the mid-1980's onwards trade has settled at around US\$500 million a year. The debt problem meant not only that the expansion in Japan-North Korea trade slowed down, but also that trade became more and more 'Koreanised' and dominated by North Korean descendants resident in Japan.

North Korean trade vulnerability

In the late 1980's and 1990's, the conditions for North Korea's trade deteriorated rapidly. First, trading conditions became more severe with the move to hard currency exchange with the USSR in 1990, and with China in January 1992. The effects this had on reducing North Korean trade are illustrated in Table 21. Second, the collapse of the USSR and other communist states in Eastern Europe compounded the North's trade difficulties by depriving it of vital export markets and sources of cheap imports for strategic commodities such as oil. The North Korean regime exercised considerable resilience in the face of these trade shocks and the economy continued to function, and to overcome the loss of markets the North exercised availability in seeking out new trade partners. As with the component of finance, the regime seems to have experimented with the illicit economy of smuggling and narcotics. Reports in December 1985, revealed an

operation in which North Korean embassy officials in Pakistan had been smuggling into the country from Singapore VCRs and video cassettes.¹³³ North Korean diplomats in Nepal were also accused of smuggling wrist watches, gold, videotapes, and narcotics. In 1991, there were reports from South Korean sources that the North was exporting drugs from the Kaema plateau, including an estimated 1,000 kilogrammes a year of opium, heroin, and marijuana. In March of the same year, a North Korean diplomat was arrested for carrying one kilogramme of heroin from Czechoslovakia to Sweden; in May 1994 two North Koreans were arrested in Vladivostok in possession of 8.5 kilogrammes of heroin; and in April 1994, a North Korean defector Choe Se Ung claimed that the North sold opium for hard currency.¹³⁴ In 1996, reports emerged that the North Korean embassy in Romania had been turned into a casino, and that a healthy trade in North Korean antique national treasures run by diplomats had emerged. The truth of these reports is unknown, as is the extent of official government involvement in the smuggling, and how far reports may have been exaggerated by South Korea in its propaganda war with the North. But what they do show is that some officials at least have found availability in trade by joining the international economy of crime.

A form of new trade which does carry North Korean government approval is the sale of military hardware to other 'pariah' or 'rogue' states, often against international conventions. North Korea has been an exporter of arms since before the collapse of the socialist bloc, and was reported in 1986 to have sold 100,000 automatic rifles to Cuba, and in 1988 a large cache of arms, including rocket launchers to Uganda. The need for hard currency in the post-Cold War period has pushed North Korea into the export of missile and possibly nuclear technology to countries in the Middle East, perhaps making a major contribution to the North

¹³³The 1980's were not the first time that North Korea diplomats had turned to the selling of narcotics to make ends meet. In October 1976, the entire diplomatic staff of the North Korean embassies in Norway and Denmark were accused of illegally importing narcotics, alcohol, and cigarettes, and a total of nine North Korean diplomats were expelled from Finland and Sweden on similar charges. Bon-Hak Koo, *Political Economy of Self Reliance*, p. 154.

¹³⁴Economist Intelligence Unit, *Country Report: China and North Korea*, no. 1, 1986; p. 46, no. 2, 1991, p. 34, no. 3, 1994, p. 53; *Japan Times*, 28 March 1996, p. 4.

Korean balance of payments without showing up in trade statistics. North Korea had already since the mid-1980's been cooperating with Syria, Iran, and Libya on the export of missile technology, and in June 1987 is reported to have sold to Iran US\$300 million worth of Scud missiles. In February 1988 and July 1989, Iran and North Korea exchanged trade delegations, agreeing on a series of projects for North Korea to export steel and construction know-how in return for Iranian oil. In April 1993, an Iranian delegation visited North Korea seeking to buy 150 Nodong-1 missiles in exchange for oil supplies, and in the same year there were unsubstantiated reports that in a complex deal, and in contravention of UN sanctions, the North was planning to sell Iran missiles in exchange for Iran's purchasing of US\$120 million of oil from Iraq.¹³⁵ Suspicions have also been raised about North Korea's export of nuclear technology to the Middle East, and its serving as a conduit for Chinese Silkworm missile exports to the region.

Japanese trade power and North Korea

Seeking to stretch the limits of availability, then, North Korea has become a proliferator of missile technology, with implications for Middle Eastern and global security. The North has had little choice but to fall back on this illicit type of economy in order to gain access to the commodities denied to it by other states. But this availability has now also reached its maximum limits, and only new trade links with the nations of Asia and the West can provide the injection of technology and hard currency that the North Korean needs to survive. In this situation, it is clear that North Korea has become vulnerable on the component of trade, and that once again there are opportunities for influencing North Korean trading behaviour, and subsequently security behaviour, by the extension of direct and indirect economic power by other states. The greatest opportunities for the application of this power are again offered to South Korea which has the necessary expertise and motivation

¹³⁵Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1986, p. 36; no. 1, 1988, p. 34; no. 3, 1989, p. 33; no. 2, 1991, p. 34; *Country Report: South Korea and North Korea*, 3rd Quarter 1993, p. 42; 3rd Quarter 1993, p. 42; *Japan Times*, 28 March 1996, p. 4.

to begin to open up and draw the North Korean economy away from illicit patterns of trade and instead into a new Western-oriented trade framework. But Japan too seems to possess the requisite power in trade to make a contribution to its security policy with regard to North Korea.

As has been seen, in global terms the volume of trade between Japan and North Korea is small, accounting for only 0.1 per cent of Japan's total trade.¹³⁶ This leaves North Korea as only Japan's fiftieth biggest trading partner, and ranked below Papua New Guinea in terms of importance. But conversely, and despite the continuing debt problem, trade with Japan is still very important for North Korea. In the 1990's, Japan remains as North Korea's number three trading partner, and has become more important since trade has declined relatively with the China, the USSR, and then Russia, and because Japan is seen as the North's main future supplier of technology. It can be argued that Japan does and can further exert trade power on North Korea both directly in the form of positive and negative sanctions, and indirectly in the form of creating conditions of interdependence between the two countries.

In the midst of the nuclear crisis of 1993 to 1994, the use of direct power to impose negative economic sanctions on North Korea and to coerce it into abandoning its nuclear programme was considered, alongside the cessation of remittances, to be an obvious area for Japan to exercise its economic power to correct North Korea's security behaviour. In the end the Japanese state was not called upon to impose sanctions, but there can be little doubt that it did possess the ability to cut trading links with the North and to inflict economic damage upon it. The small size of trade with the North means that it is easy for Japan to bear any economic cost (as well as political costs) of punishing the North without doing any significant damage to its own economy. The Japanese state also has the legal ability and the experience to cut trading links. Until 1993, the government used COCOM

¹³⁶Kawai Hiroko, 'North Korean open door policies', p. 155.

regulations to halt certain types of exports to North Korea.¹³⁷ In June 1987, MITI stopped a shipment to North Korea of 156 long-based trucks built by Nissan, Mitsubishi, Hino, and Isuzu because of a warning from US intelligence that they were intended for use by the North as launch vehicles for missiles. In May 1987, a company based in Ôsaka and managed by North Koreans descendants was stopped from exporting ¥10 million of circuits and oscillators to North Korea banned under COCOM, and in April 1988, MITI in cooperation with US authorities prevented the export from Singapore to North Korea of 500 Japanese manufactured computers, again banned under COCOM regulations.¹³⁸ During the nuclear crisis, Japanese police raided a Chôsensôren run company, the Yokohama Manufacturing Company, and seized under COCOM rules and the FEFTCL spectrum analysers suspected as being used for the production of Nodong missiles. Following this, in December of the same year, the same company was again raided and fined for selling used cars to the North in contravention of FEFTCL laws.¹³⁹

These last two incidents were very public demonstrations of the Japanese state's power to disrupt actively trade with North Korea. The Japanese government report on sanctions concluded that a stoppage of Japan-North Korea trade would have a deleterious impact on the North Korean economy, but also that it would be difficult to stop trade altogether as it would require the interdiction of shipping on the high seas, and the cooperation of other countries, most notably China, to prevent trade from being rerouted through a third country.¹⁴⁰ But even if the Japanese state could not stop trade with the North entirely, the actions of MITI in intimidating those countries involved in trade with North Korea did impose a *de facto* embargo on trade by making it such an unattractive prospects for other companies.

¹³⁷For details of these powers until 1993, see Tsûsangyôshô Bôekikyoku Yûshutsuka, *Anzenhoshô Yûshutsu Kanri no Kongo no Arikata*, Tôkyô, Tsûsangyôshô Chôsakai, 1994.

¹³⁸Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1987, pp. 33-4; *Japan Times*, 29 April 1988, p. 13.

¹³⁹*Japan Times*, 15 January 1994, p. 17.

¹⁴⁰Asô Iku, 'Seifu naibu bunsho', pp. 198-9.

In this way, the Japanese state can be seen to possess in the component of trade a measure of direct economic power to impose negative economic sanctions. But it is also arguable that the Japanese state possesses the power to extend positive economic sanctions to the North which would have greater utility for security policy. Negative sanctions and outside pressure on North Korea's access to trade in the past have only encouraged it to seek new markets and to proliferate missile technology—the very antithesis of attempting to solve the North Korean security threat. Hence a policy of positive sanctions similar to that towards China may offer better long term prospects of stabilising the North's security behaviour.

The most important use of the Japanese state's influence would be to encourage a move away from the overly narrow basis of North Korea-Japan trade dependent on the North Korean community in Japan. There are already signs of the growth of trade between North Korean and Japanese ports in the Sea of Japan. For instance, exports from Niigata to North Korea increased between 1986 and 1990.¹⁴¹ This trade has taken place in spite of the political difficulties and implies the emergence of the type of subregional economic community conceptualised by the Sea of Japan Economic Zone and the TRADP. Marcus Noland has argued that if North Korea's reforms continue, Japan would then form, after South Korea, the number two 'natural partner' for trade with North Korea, taking around a thirty per cent of North Korea's total trade.¹⁴² Given these economic projections, and the history of Japan and North Korea in the colonial period as complementary—if at the time forced—trading partners, it is arguable that the conditions could exist for the growth of interdependency in trade between the two countries. Improvements in Japan-North Korea trade relations could also open the way for North Korea's integration into the wider regional community through such bodies as APEC.¹⁴³

¹⁴¹Shimakura Tamio, *Tôhoku Ajia Keizaiken no Dôtai--Tôzai Sekkin no Shinfrontia*, p. 271.

¹⁴²Marcus Noland, 'North Korea's international economic relations', *Social Science Japan*, August 1996, p. 29.

¹⁴³Tanaka Yoshikazu, *North Korea's Future*, p. 29.

Table 25: Actual and 'natural' North Korean trade shares

	Actual trade share 1995		'Natural' trade share
China	23	South Korea	35
Japan	21	Japan	30
South Korea	10	China	13
Russia	4	US	7
Rest of the World	12	Rest of the world	15

Source: Marcus Noland, 'North Korea's international economic relations', *Social Science Japan*, August 1996, p. 30.

But a number of obstacles need to be overcome before indirect Japanese trade power can work to the full, and these can be cleared only by Japanese government efforts. The rules of trade between Japan and North Korea have not yet been established firmly, the debt problem is still a deterrent to Japanese companies wishing to trade, and regulations such as COCOM intimidate traders. Moreover, infrastructure is lacking, shipping schedules are infrequent and costs high. But as with the component of the production system, all these can be tackled by political initiative from the Japanese and North Korean governments, and especially by the achievement of normalisation which would allow Japan's indirect economic power to work as in Japan's relations with other countries, so bringing benefits for security.

NORTH KOREAN COMMUNICATIONS

Chapter two demonstrated that knowledge and communications form important components of economic power, with possibly important benefits for integration and security. Chapter three outlined the extent of power accruing to Japan from these components, and suggested that, although low in effect in comparison to the US, Japan could as a civilian power use them to the benefit of its security. This section now transfers the analysis to the case of North Korea to examine how Japanese power in knowledge and communications could contribute to the resolution of the North Korean security problem.

North Korean isolation and vulnerability

The isolation of North Korea from the outside world has been a product of both physical and ideological barriers to communication. The mountainous terrain of the northern half of the Peninsula has imposed natural geographic barriers to communications and economic development. Manmade influences have served to compound this isolation: the Japanese colonial policy of developing coastal areas made for the separation of resource rich areas from industrial areas, and urban areas from agricultural areas. External economic contacts also were restricted by a combination of physical and political factors, which ensured that during the Cold War communications were only developed to North Korea's neighbours the USSR and China, and that communications to the non-communist world were neglected. In the post-Cold War era, the opening up of the North Korean economy is dependent on the improvement of not just the traditional physical infrastructure of rail, road, air, and port facilities, but also of modern telecommunications. Improved infrastructure is, hence, an important component of direct and indirect economic power.

The rail network of North Korea was first developed in the colonial period and mainly along the coasts of the Peninsula, with few trunk routes connecting the eastern and western regions of the northern half of the Peninsula. After independence the North Korean regime has reconstructed and modernised the rail system and added new trunk routes. By mid-1975, 90 per cent of freight and 70 per cent of passenger traffic in the North was by rail, the North possessing around 2,690 kilometres of track.¹⁴⁴ There are five external rail links to China and Russia, with one passenger train a week to Moscow, and four trains a week to Beijing. The centre of the rail network is in Pyongyang, and the western region of North Korea has the best developed rail system. The main line on the western coast is the Kyong-Ui line, running from Sinuju to Pyongyang and then to Kaesong; on the eastern coast the main line is Wolla line, running from Wonsan Rajin. Until 1972,

¹⁴⁴Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 306.

there was only one east-west connection: the Pyong-Wan line running from Wonsan to Pyongyang.¹⁴⁵ In 1972 Chiha-ri line was completed from Sepo to Pyongyang, and in the 1980's construction began on a 330 kilometres stretch of trunk line from Musan in the northeast to Kangyue. In 1984, 70 per cent of the track was reported as completed, and by 1987 it was reported that 10.5 million cubic metres of earth had been moved, and 24 kilometres of tunnels, 5.6 kilometres of bridges, and 226 kilometres of retaining wall built. In 1988 a 252 kilometre section of line from Hyesan to Manpo was completed.¹⁴⁶ The North has continued to invest heavily in rail transport, allowing for 70 per cent of the rail network to be electrified by the 1970's.

Problems with the North Korean rail network were revealed by the USSR in 1988, when it reported that the USSR-North Korea rail link as unable to cope with normal volumes of trade between the two countries, managing to carry only 82 per cent of the necessary USSR exports to the North and 52 per cent of imports from the North to the USSR.¹⁴⁷ It is also clear that for the ZFET to succeed the rail network in the northeastern region of North Korea needs to be upgraded. At present there are only 50 kilometres of rail lines in the area, connected to China at three points, and Russia at one point. The TRADP plans call for an expansion of the rail network in the area to 110 kilometres, and for 60 per cent of all freight to be carried by rail.¹⁴⁸

The road system in North Korea plays a minor role in freight transports, at only around 6 per cent of total carriage in the 1970's. In the North there were calculated to be only 264,000 motor vehicles, most of which are reserved for military transport. In 1990, North Korea had between 23, 000 and 30,000 kilometres of roads, but of which only 1,717 kilometres (7.5 per cent) was metttled. North Korea has three multi-lane highways, running from Pyongyang to Wonsan (200

¹⁴⁵Andrea Matles Sawda, *North Korea: A Country Study*, p. 146.

¹⁴⁶Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1984, p. 38; 3rd Quarter 1987, pp. 36.

¹⁴⁷Economist Intelligence Unit, *Country Report: China and North Korea*, no. 4, 1988, p. 43.

¹⁴⁸Imai Satoshi, 'Tōmonkō chiiki', p. 185.

kilometres), Pyongyang to Nampo (43 kilometres), and Pyongyang to Kaesong (100 kilometres).¹⁴⁹ The TRADP proposes that 40 per cent of all freight should be carried by road, that the existing 380 kilometres of road in the area connecting the North to China and Russia should be expanded, including the widening and mettling of roads from Rajin to Sarabino and from Chongjing to Musan, and that an 190 kilometre expressway should be constructed between Tumen, Chongjin, and Unsan.¹⁵⁰

Internal freight transport by water is low in volume, calculated at 2 per cent of the total in the mid-1970's, but there is some transport of the River Yalu, and the completion of the Nampo Lock Gates in 1986 at a cost of US\$4 billion has allowed ships of up to 50,000 tons to sail inland and connect Suchon and Pyongyang.¹⁵¹ On the west coast, Pyongyang's main port is at Nampo, which in 1985 was reported to have 2 kilometres of wharves and berth for ships of up to 20,000 tons. North Korea has increased the handling capacity of the port five times between 1976 and 1984, and the regime claimed that 1,500 foreign ships had berthed in Nampo between 1981 and 1984. On the east coast, the North Korean government's plan has been to modernise Haeju, Hungnam, and Wonsan¹⁵². In the ZFET the principal ports are Chongjing (1.8 kilometres of wharves, berths for 10,000 ton ships, handling capacity a year of 3 million tons), and Rajin (1.5 kilometres of wharves, berths for 10,000 ton ships, handling capacity a year of 900,000tons). The TRADP also calls for the upgrading of port facilities.¹⁵³

North Korea's main international civilian airport is Sunan in Pyongyang. Domestic airports are located at Pyongyang, Wonsan, Hamhung, and Chongjin.¹⁵⁴ The existing fleet of North Korean civilian aircraft was purchased from the Soviet

¹⁴⁹Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 307; Andrea Matles Sawda, *North Korea: A Country Study*, p. 146.

¹⁵⁰Imai Satoshi, 'Tômonkô chiiki', p. 185.

¹⁵¹Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 308; Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1986, p. 36.

¹⁵²Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1984, pp. 38-9.

¹⁵³Shimakura Tamio, *Tôhoku Ajia Keizaiken no Dôtai--Tôzai Sekkin no Shinfrontia*, pp. 274-5.

¹⁵⁴Nena Vreeland, *et al.*, *Area Handbook for North Korea*, pp. 308-9.

Union. In 1986 there were reportedly two flights a week to China and the USSR. In 1993, flights were scheduled from Pyongyang to Beijing, Moscow, Khabarovsk, Berlin, Sofia, Niigata, and Nagoya. Flights to Moscow were suspended in November 1992 due to a lack of passengers, but restarted again in July 1993.¹⁵⁵ The small number of international flights may be increased if Sonbong airport is converted to international use for the TRADP. North Korea also informed the IATA (International Air Transport Association) on 2 August 1996 that it would open its skies to overflights by foreign airlines.¹⁵⁶

North Korea is isolated in terms of telecommunication links to the outside world. In 1985, there were only 30,000 telephone lines in the entire country, and the only international lines were to Moscow and Beijing. An international direct dialing service via Hong Kong was established in 1989, and in April 1995, ATT, ahead of its competitor MCI, opened a telephone line from North Korea to the US.¹⁵⁷ A satellite communications centre was installed with French assistance in Pyongyang in 1986, and the North has direct international links using Intelsat's (International Telecommunications Satellite Corporation) Indian Ocean satellite. North Korea's National Korean Central Television Service is located in Pyongyang, and there are other stations in the major cities of Chongjin, Kaesong, Hamhung, Haeju, and Sinuju. There are three television channels in Pyongyang and one in other cities. In 1990, there were around 250,000 television sets in service, and colour television was introduced in 1985. AM radio broadcasting is carried out by the Korean Central Broadcasting Service and the Pyongyang Broadcasting Station, and FM radio by the Pyongyang FM Broadcasting Station. North Korea also broadcasts short-wave transmissions overseas in several languages. There are approximately 3.75 million radio sets in the North, but the dials are fixed to receive only designated frequencies and to prevent the reception of

¹⁵⁵Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1986, p. 40; 2nd Quarter 1993, p. 40.

¹⁵⁶*Japan Times*, 4 August 1996, p. 4.

¹⁵⁷Andrea Matles Sawda, *North Korea: A Country Study*, pp. 147-8; *Far Eastern Economic Review*, 'Don't all jump at once: politics still stalls US investment in North Korea', vol. 158, no. 31, 3 August 1995, p. 35.

foreign broadcasts.¹⁵⁸ A number of new developments in telecommunication have been planned for the ZFET, including a satellite station and communications centre in Rajin, and the introduction of a digital microwave network.¹⁵⁹

Thus, this description of North Korea's communications situation shows that it is a highly isolated country, but also one which needs improved links with the outside world if it is to survive economically. The task of Japan and other states in the region, then, is to create the type of communications infrastructure that will open North Korea up by exploiting its vulnerability, and then bind it into the region.

Japanese power in communications and North Korea

Japan is one of a number of countries that can use its expertise in telecommunications to open up the North Korean economy. Japan has no land links with North Korea and so its role in developing road and rail communications in the North is limited, although it could play a role in the improvement of infrastructure in the TRADP. With regard to sea communications, the Japanese state certainly has the direct power to impose negative sanctions to disrupt North Korea's contacts with the outside world. The imposition of limited sanctions on North Korea in 1988 and the refusal to allow North Korean crew members of ships to land in Japan interrupted the flow of North Korean residents in Japan visiting the North from such ports as Niigata.¹⁶⁰ But the opening of Japan's ports to more North Korean traffic in the form of a positive sanction, and the growth of shipping between a major port in the Sea of Japan like Niigata (8 kilometres of wharves; berths for 50,000 ton ships, and a yearly handling capacity of 1.7 billion tons) and ports in North Korea will probably act as a factor to promote and pull along North Korean growth and integration.

¹⁵⁸Nena Vreeland, *et al.*, *Area Handbook for North Korea*, pp. 147-8.

¹⁵⁹Imai Satoshi, 'Tōmonkō chiiki', p. 186.

¹⁶⁰*Japan Times*, 10 February 1988, p. 3.

Air communications are also a form of direct and indirect power for Japan over North Korea, allowing Japan either to isolate North Korea or to open it up. Until the 1980's, travel from Japan to North Korea was only via Moscow or Beijing, but in 1986 Kuno Chûji of the Dietmen's League for the Promotion of Friendship Between Japan and North Korea negotiated with North Korea a deal for a direct air route from Japan to North Korea, and from Japan to China across North Korean airspace. In 1990, the Ministry of Transport permitted the first direct charter flight from Japan to North Korea for an LDP-JSP delegation, and the Joint Declaration signed with the KWP expressed the desire that the North and Japan should establish direct flights. The first direct commercial flight from Japan to North Korea took place in May 1991 and carried one hundred members of the Chôsensôren, and in August 1991, the first direct air freight flight was set up to transport 1,000 tons of *matsutake* mushrooms to Japan. North Korea agreed to accept eighty charter flights a year from Niigata and Nagoya to Pyongyang via Khabarovsk in Russia. The nuclear crisis of 1993 to 1994 made the establishment of further air flights difficult as the Japanese MOT (Ministry of Transport) was reluctant to negotiate new air routes until the political situation and diplomatic ties between Japan and North Korea were settled. But in December 1994, North Korea offered to open its airspace to all carriers on the Tôkyô-Pyongyang-Beijing route.¹⁶¹

Japan of course retains the option to expose the vulnerability of North Korea by severing its air links at any time, and thus exercise direct economic power and negative sanctions on the North. But more valuable for Japanese security is the offering of positive sanctions to the North by creating more air traffic. For the establishment of air routes between Japan and North Korea promotes not just commerce, but also the intriguing possibilities of tourism and its integrative effects.¹⁶² The North Korean government has been keen to attract foreign tourists. During the 1980's, the Japan-China Travel Service in Japan organised tour groups

¹⁶¹*Japan Times*, 26 September 1990, p. 3, 29 September 1990, p. 1; 18 May 1991, p. 2; 16 August 1991, p. 7; 25 January 1992, p. 1; 25 December 1994, p. 1.

¹⁶²Bon-Hak Koo, *Political Economy of Self Reliance*, pp. 193-4.

to North Korea costing around ¥400-450,000, and in 1993 the Jungwae Company affiliated to the Chôsensôren offered 50 flights a year from Nagoya for 7,000 to 8,000 passengers at a cost of around ¥200-300,000.¹⁶³ The main clientele of these travel services were North Korean resident in Japan, but the further development of tourism which does not rely exclusively on Korean passengers could have an important effect in exposing North Korea not just to foreign money but also to customs and cultures. Whether this would create understanding or more friction is unknown, but Japanese tourism in other countries has proved to be a powerful force for changing their societies.

There are also, though, a number of problems with this scenario. Problems in obtaining visas, fears about political instability, and restrictions on freedom of travel deter non-Korean tourists. Moreover, North Korea charges unduly high costs to tourists, and does not yet seem to fully understand the needs of modern tourism. It was reported in December 1994, for instance, that North Korea was offering guided tours by exiled members of the Japanese Red Army!¹⁶⁴

Air travel and tourism represent one type of indirect and 'soft power', another is telecommunications, which has already proved to have great integrative effects on other closed socialist societies. North Korea has long looked to Japan for the provision of telecommunications technology, and the text of the Joint Declaration of September 1990 gave prominence to an agreement to establish satellite links between the two countries. As a consequence, in October of the same year, the Japanese MOPT (Ministry of Post and Telecommunications) set up a satellite telecommunications link with North Korea run by KDD (Kokusai Denshin Denwa) Corporation. Fourteen communication circuits--ten for fax, three for telephone, and one for telegramme--were installed, and Japan agreed to share its telecommunications satellites with the North. In November 1990, KDD was

¹⁶³*Japan Times*, 8 August 1989, p. 2; Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1993, p. 40.

¹⁶⁴*Japan Times*, 12 September 1994, p. 12.

reported to be planning to send a team to upgrade North Korea's communications facilities where fax and data transmissions were still not possible.¹⁶⁵

The development by Japan of telecommunication links and the information that flows through them is seen by some commentators as the most effective means to remove North Korea from its isolation and to integrate it into the regional community.¹⁶⁶ There is some precedent for seeing information exchange as useful in improving relations between Japan and North Korea. After moves towards normalisation in 1990, North Korea showed a ninety-minute television film in order to increase understanding of Japan, and in July 1991 the number of those seeking to learn Japanese in North Korea was reported to have risen sharply.¹⁶⁷ These are very controlled mediums of communication, but if satellite television supported by Japanese technology were to make a breakthrough in North Korea, this could lead to the dissemination of Japanese culture in the same way as in South Korea, where Japanese comic books, or *manga*, and pop music have proved to be attractive cultural images for the younger generation. Following on from satellite technology could come access to the Internet and boundless possibilities of the spread of information in North Korean society about the outside world.

This extension of 'soft power' by Japan and other nations could lead to further integration with benefits for security. At the same time, however, Japanese 'soft power' has its limitations. North Korea is likely to try to retain greater control of modern communications technology than even China, which has sought to stem the spread of satellite and Internet links. Japanese culture may prove less effective as a force for integration with North Korea, as after all North Korean society has been conditioned on a diet of anti-Japanese as vehement as South Korea's. Moreover, other cultures may prove more powerful than Japan's: namely, that of the US. But through the extension of telecommunications, air, and sea links, and the general improvement of infrastructure, Japan at least should be able to make a contribution

¹⁶⁵*Japan Times*, 10 October 1990, p. 10, 30 November 1990, p. 14.

¹⁶⁶Interview with member of Radio Press Inc., Tōkyō, 18 June, 1996.

¹⁶⁷*Japan Times*, 10 February 1991 p. 2; 6 July 1991, p. 3.

to alleviating the North Korean security problem by the extension of positive sanctions based on direct economic power, and by indirect and 'soft' power.

NORTH KOREA AND ENERGY

In chapter two it was argued that energy is a vital component for the smooth functioning of any economy, and hence crucial to stability and security. Chapter three indicated that the power for security purposes derived by Japan from the component of energy is low relative to a state such as the US. However, the chapter also noted that Japan could play an important role in assisting other energy-hungry states in East Asia to develop new sources of energy. The following overview of North Korea's energy vulnerability will show that it is just such one of those energy-hungry states, and that Japan as a global civilian power can make a contribution to security by assisting North Korea's to overcome its energy shortages.

Structure and vulnerability

Energy and electric power has continued to be an essential concern of North Korea's industrialisation effort. 85 per cent of total electricity consumption is devoted to industrial production, and the North Korean regime has given priority to electricity supplies for industry during power shortages in the 1990's.¹⁶⁸ A large percentage of industrial investment has gone into power generation, and it has been chosen as one of the key targets in economic development plans, with a very ambitious target of 100 billion kilowatts of capacity having been set for 1993.

Sixty per cent of North Korean energy in 1990 was generated by hydroelectric power.¹⁶⁹ Since independence, North Korea has expanded hydroelectric power capacity, completing impressive projects such as the Taedong River Power Plant

¹⁶⁸Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 278.

¹⁶⁹Andrea Matles Sawda, *North Korea: A Country Study*, p. 149.

(1983), with a capacity of 760 mw and believed to be the largest in Northeast Asia. The North also began construction in 1989 of the Kumgangsan Dam at an estimated cost of US\$8 billion, and projected to provide 810 mw of electricity.¹⁷⁰ This scheme has been opposed by the South which fears massive flooding of the Han River if the dam fails. By 1988, North Korea had also completed four joint hydroelectric projects with China on the Yalu at Taepyongman, Supung, Wiwan, and Unbong, with plans for two more after 1989 at Rimgan in Jilin province, and Sakju in North Pyongyang province. A number of smaller hydroelectric projects developed by local communities are also believed to be in operation across the country, although subject to poor equipment and breakdowns.

Around 30 per cent of North Korean energy is provided by thermal power.¹⁷¹ The largest coal-fired thermal power station is at Pukchang (1.2-1.6 million kWh), which has been undergoing expansion since 1978. The second largest thermal power station is at Pyongyang and was completed in 1966 (500,000 kWh). The Chongjin power station was completed in 1986 (150,000 kWh) mw, and another station is planned at East Pyongyang (600,000 kWh). North Korea's only oil fired power station is at Ungii (200,000 kWh), the output of which is believed to be intended entirely for local chemical industries. Although the North Korean regime is unwilling to admit it, all of the above thermal power stations were constructed with aid from the Soviet Union. In 1984, for instance, a 600-man Soviet team was reported to be at work in Chongjin on the power station.¹⁷² Similar to the situation of hydroelectric power, there are also a number of smaller local thermal plants operated locally.

North Korea first embarked on its civilian nuclear programme in June 1955 when its scientists attended the East European Scientific Conference on the peaceful uses of nuclear power. The USSR made agreements with North Korea in 1956 and

¹⁷⁰Economist Intelligence Unit, *Country Report: South Korea and North Korea*, 4th Quarter, 1996, p. 49.

¹⁷¹Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 279.

¹⁷²Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1984, p. 39.

1959 to support the North's nuclear research, and in 1964 with Soviet assistance the North established its nuclear research facility at Yongbyon. At the same time it also discovered abundant supplies of uranium on its own territory. In 1965, a small research reactor was obtained from the USSR which began operations in 1967. The North agreed in 1977 to IAEA 'Type 66' safeguards on this reactor, accepting inspections in May 1988 and June 1989, and the North's cooperation secured help from the IAEA in uranium mining. During the 1970's and 1980's, North Korean scientists continued to train at the USSR's Dubna nuclear research institute, and in 1986 the USSR announced it would supply the North with a 1.76 mKWh capacity graphite reactor. It was this reactor which was to become the centre of the controversy over inspections and the subsequent nuclear crisis.

In the 1980's, however, North Korea's energy industry seems to have reached a crisis point. The target of 100 billion kWh of capacity by 1993 proved impossible to achieve. By the North's own admission, capacity only reached 56.4 billion kWh in 1987, and South Korean estimates put the total North Korean capacity in 1994 as low as 24.7 billion kWh. One problem for the power industry has been that in spite of the North's constant investment in new plant, much of the existing stock, such as the hydroelectric power stations inherited from the colonial period, is old and unproductive.¹⁷³ The over reliance on hydroelectric power has also brought its own problems. The distance of the generating sites from the centres of consumption means power loss on overly long transmission lines. Furthermore, hydroelectric power is affected by seasonal fluctuations in climate, such as the recent heavy rains in 1994 and 1995.

The other main problem for the North's power industry has been its dependency on foreign supplies of fossil fuels and energy technology. The majority of North Korean thermal power is generated by domestically produced coal, but all oil supplies have to be imported from abroad. Since the mid-1980's, the supply of foreign oil has become less stable. Somewhat ironically, in 1985 the North's only

¹⁷³Tamaki Motoi, *Kitachôsen Q & A 100*, Tôkyô, Akishobô, 1992, p. 155.

supertanker, the *Song Bong*, was sunk by an Iraqi missile at Kharg Island in the Persian Gulf, and in that year no oil was imported from the Middle East. This increased North Korea's reliance upon China and the USSR for fuel supplies.¹⁷⁴ After the move to a hard currency basis of exchange in the 1990's, it has become harder for the North to obtain oil supplies from Russia and China at low prices. The withdrawal of Soviet and then Russian technical aid in the 1990's may also have hit North Korea which has limited technology to maintain and expand its existing power facilities.

Table 26: North Korean oil imports 1991-93 (mn tons)

	1990	1991	1992
China	1.06	1.1	1.056
Iran	0.98	0.75	0.22
USSR/Russia	0.50	n.a	0.03
Libya	n.a	0.04	0.05
Other	n.a	0.04	n.a
Total	2.54	1.93	1.356

Source: Economist Intelligence Unit, *Country Report: South Korea and North Korea* 3rd Quarter, 1993, p. 42.

Hence, in the 1990's North Korea has been facing an energy crisis, and it has already been described how foreigners resident in the North have related stories of strict energy saving measures in Pyongyang. It is also probable that industrial production has been affected by the energy shortage.¹⁷⁵

The North Korean regime has exercised a good deal of resilience in being able to withstand the sharp reduction in energy supplies since the end of the Cold War. But a lack of energy stockpiles and technical ability has meant that the North has been unable to exercise adjustment and substitution in energy, and this has forced it to exercise availability by seeking new sources of energy supply. The section on trade has already noted that North Korea has sold missile technology to Iran in return for oil supplies, but this appears to have been insufficient to meet North Korea's needs, showing up the limits to availability and the North's vulnerability in energy.

¹⁷⁴Economist Intelligence Unit, *Country Report: China and North Korea*, no. 1, 1986, p. 41.

¹⁷⁵Komaki Teruo, 'North Korea inches toward economic liberalisation', p. 163.

Looking to reduce its vulnerability, the North turned to its nuclear strategy to extract from the US and its allies concessions on energy.

North Korean energy vulnerability and KEDO

Thus, one of the essential long terms aims of North Korea's overall economic strategy during the nuclear crisis was to solve its energy problems by improved access to Western nuclear energy technology and oil supplies. The idea of the North receiving LWR technology was first raised by the North as early as May 1992, when the IAEA's Director, Hans Blix, visited North Korea for nuclear inspections. In July 1993, at the second round of high level talks between the US and North Korea, the US offered LWRs in exchange for the North abandoning its graphite moderated reactors, and in April 1994, in an interview with CNN and Japan's NHK broadcasting organisation, Kim Il Sung hinted that the crisis over nuclear inspections could be ended by the West supplying LWRs to the North. Kim Il Sung again repeated this appeal at his meeting with Jimmy Carter in June 1994, and the supply of LWR technology became a key point of the 'Agreed Statement' on 12 August between the US and North Korea. In this statement, North Korea consented to freeze its nuclear programme and then to dismantle its graphite reactors in exchange for LWRs with a capacity of 2,000 million kWh.¹⁷⁶ The Agreed Framework of October of the same year reaffirmed this deal, with the promise for an international consortium to provide to North Korea by 2003 two LWRs costing up to US\$4 billion. Added to the Agreed Framework was also a provision for the US to supply the North, and US\$50 million (500,000 tons) of crude oil a year for the next ten years in order to make up any shortfall in energy supplies in the interim period before the LWRs were completed. Further negotiations finally secured the North's agreement that the LWRs would be built with South Korean technology, and the KEDO Treaty put the energy programme into action. In August 1995, a KEDO team arrived in North Korea to survey a site

¹⁷⁶Michael J. Mazaar, *North Korea and the Bomb*, pp. 84, 126, 154, 168, 174.

for the LWRs at Sinpo, and in June 1996 KEDO reported that it would be ready to start work on construction by November 1996.¹⁷⁷ On 11 July, North Korea signed three protocols on transportation, communications, and privileges and immunities for the logistics of the construction of the LWRs.¹⁷⁸ The US has continued to supply oil to North Korea, despite opposition from elements of Congress, with 20,000 tons of oil shipped to the North in August 1996.¹⁷⁹

Apart from the opposition of the US Congress, the biggest problem faced by the KEDO project up until now has been the submarine incident of September 1996. Work on the project was stopped due to fears about the safety of South Korean technicians, and North Korea threatened to withdraw from the KEDO agreement in retaliation. But the persistence of the US ensured that the project was kept running, and following the North Korean apology in December 1996, work was again due to start on the LWRs in January 1997.

North Korea would appear to have secured all its main objectives in the exploitation of the nuclear crisis for tackling its energy problems, including free oil supplies and advanced Western technology. But it is also possible to argue that KEDO has allowed the economic power of the US, South Korea, and Japan to begin to penetrate the North Korean economy, and that it is a vital project to draw North Korea into the international community and to moderate its behaviour that threatens international security. Instead of choosing to isolate North Korea further by taking advantage of its energy shortages and imposing negative sanctions, the US and its allies have chosen ultimately to use direct economic power for positive sanctions. Through KEDO this policy has now created the conditions for interdependence with North Korea. It is true that the US and its allies have made huge concessions to the North, but in the long term North Korea's acceptance of these concessions has left it even more vulnerable to foreign economic power and established a relationship that it will find hard and undesirable to break away from.

¹⁷⁷Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1995, p. 43; *Japan Times*, 2 June 1996, p. 4.

¹⁷⁸*Japan Times*, 13 July 1996, p. 1.

¹⁷⁹*Japan Times*, 24 August 1996, p. 4.

South Korea has secured a foothold in North Korea by its role in the provision of LWR technology to KEDO. The North was clearly aware of the risks of dependency and the 'Trojan Horse' of foreign influence when it originally opposed KEDO obtaining technology from the South, but in the end probably calculated that the risks were outweighed by the benefits, and that they could be minimised by restricting the activities of the South in the North. The KEDO compound for construction of the LWRs will be self-contained and isolated from the rest of the country, but even so the North's planners and scientists out of necessity will be forced to cooperate with and receive training from their counterparts in the South. Inevitably a dependency relationship will be established, and as Stephen Bosworth the ex-director of KEDO stated, 'KEDO is a mechanism through which they [the two Koreas] can begin to have something of a conversation.'¹⁸⁰

The US has also gained new found influence over the North through KEDO and its role as the chief coordinator and negotiator (if not financier) of KEDO, as well as the supplier of oil to North Korea. It might be possible for the North to abandon KEDO and to resume its nuclear programme as it has often threatened to do so in negotiations, but the US now has the option to also cease cooperation with the North, and the North Korean regime has clear costs to bear if it ceases to comply with the KEDO Treaty. In other words, the US now has a lever of direct economic power on North Korea and the ability to offer a clear choice to North Korea between positive and negative sanctions. The US chose not to exercise this direct power during the submarine incident of September 1996, but the threat of its use may have had some effect in moderating North Korea's behaviour and its decision to issue an apology. More importantly, the KEDO project is the start of economic cooperation between the US and North Korea that could be the gateway for more private investment in the North, and the consequent growth of US indirect power.

The KEDO project also has important implications for North Korea's relations with other nations in the region and the international community, supported as the

¹⁸⁰*Japan Times*, March 24 1996, p. 22; Mel Gurtov, 'South Korea's foreign policy', p. 30.

project is by ASEAN, Australia, and the EU. In June 1996, for instance, the G7 countries pledged their backing for KEDO, and on 24 December 1996, South Korea agreed in principle to accept the EU as a full executive member of KEDO. In return, the EU promised to provide US US\$20 million annually towards the cost of fuel oil for North Korea.¹⁸¹

Japan and KEDO

A crucial role is also envisaged for Japan's economic power in pushing forward with the KEDO project. Successive Japanese coalition administrations have supported KEDO since its inception, Japan is an executive member of the organisation, and has agreed to make a 'significant contribution' to its financing--calculated to be anything up to US\$1 billion. The potential drawbacks of the KEDO scheme have been acknowledged since its inception by LDP-SDP governments, Foreign Minister Kono Yôhei stating in the Diet in March 1985 that it is conceivable that North Korea could fail to fulfill its side of the bargain and restart its nuclear programme. But at the same time, he noted that KEDO could mark the start of a relationship of mutual interdependency, or *sôgoizon*, between North Korea and the rest of Northeast Asia.¹⁸² Japan was a signatory to the KEDO Treaty in November 1995, and so far has acted to support the project mainly in financial terms. The official line maintained by the government in Diet debates has been that Japan's financial contribution will not be fixed until all negotiations and plans are complete, but it seems that Japan's contribution will at least reach the US\$1 billion mark mentioned above.¹⁸³ Since 1994, Japan has given US\$28.5 million to KEDO for the site preparation of the LWRs and running costs for the KEDO office at the UN in New York. Due to US budget difficulties, Japan has also supplied finance for US\$19 million of oil shipment to the North in February 1996. Japan provides

¹⁸¹*Asahi Shimbun*, 25 December 1996, p. 7; *Japan Times*, 25 December 1996, p. 1. For a fuller description of the EU's role in KEDO prior to its entry into the executive, see Reinhard Drifte, *The EU's Stake in KEDO*, Brussels, EAIS Briefing Papers, June 1996.

¹⁸²Shûgiin, *Gaimuniinkaigiroku*, 27 February 1995, no. 5, p. 9; 10 March 1995, no. 5, p. 16.

¹⁸³Shûgiin, *Gaimuniinkaigiroku*, 7 February 1995, no. 2, p. 18; Interview with MOFA official, Tôkyô, 27 November 1996.

technical support for the project by the dispatch of scientists from MITI-related agencies.¹⁸⁴

Japan's main function in KEDO is financial and so it is using direct economic power to provide positive sanctions in cooperation with the US and South Korea in the hope of resolving one of the causes of the nuclear crisis. Like the US, though, the Japanese government faces problems in exercising economic power through the KEDO project due to internal political opposition over the financial cost of participation. In the Diet's Committee on Foreign Affairs concerns about the cost, if not the validity of the project, have been raised by members from both the LDP and the opposition Shinshintô party.¹⁸⁵

NORTH KOREA AND AID

Aid and North Korean vulnerability

The examination of the North Korean economy in the areas of production, finance, trade, and energy has shown that, despite the North Korean regime's assertion of *juche* ideology, it has long accepted aid; first from the communist bloc during the Cold War, and then from Western and international aid agencies in the post-Cold War era. This section argues that the North has displayed great resilience in avoiding overdependency on foreign aid, and has been able to survive even its cut-off in the past, but that it is now moving towards a dependency relationship in aid, which allows the Western countries to exercise direct economic power over the North for security purposes.

During the Cold War, and in addition to military aid, North Korea received considerable amounts of economic aid from the USSR and China.¹⁸⁶ In the period of reconstruction following the Korean War, the USSR and China promised

¹⁸⁴Interview with MITI official, Tôkyô, 22 October 1996.

¹⁸⁵*Japan Times*, 9 March 1995, p. 3; *Gaimuniinkaigiroku*, 7 February 1995, no. 2, p. 17; 7 March 1995, no. 6, p. 14.

¹⁸⁶Bon-Hak, Koo, *Political Economy of Self Reliance*, pp. 106-7, 157-8.

respectively to the North US\$250 million and US\$325 million in grant aid.¹⁸⁷ In October 1960, the USSR cancelled US\$190 million of North Korean debts, and until the mid-1980's, continued to provide aid for projects in the production and energy sectors.¹⁸⁸ China provided aid in the form of concessionary 'friendship' prices for oil and other commodities. In 1980, the USSR claimed that in total it had given US\$2 billion in aid to the North since 1948.¹⁸⁹

The flow of aid, however, was not always smooth, and the North showed resilience in being able to survive reduction and cut-offs from both sides during the Sino-Soviet split. North Korea has even been a provider of aid. It was reported in 1983, and before the Rangoon bombing, that North Korea had provided assistance to Burma in hydroelectric projects, synthetic fibres, mining and tanning. The North also assisted agricultural development in Tanzania, and provided US\$30 million in loans to Nicaragua to be used to buy North Korean steel.¹⁹⁰ Pyongyang also gave rice aid to Seoul following floods in September 1984.

But the near total stoppage of aid from the USSR in the late 1980's forced North Korea to the limits of its resilience, and meant that it had to exercise availability by finding new sources of aid from international institutions such as the UNDP. Between 1980 and 1986, the UNDP gave aid for the upgrading of Nampo port, rail electrification, and the North's first integrated circuits plant.¹⁹¹ From 1987 to 1991, and despite the North Korean regime's preference for big prestige projects, the UNDP provided funds for small scale agriculture and industry. By 1991, the UNDP has provided US\$38 million to fifty small projects, and was reported to be planning to spend a further US\$26 million in the North for energy, technology, pollution control, and the promotion of international business links. Also the UNDP has provided aid in the 1990's for the feasibility studies of the TRADP.

¹⁸⁷Nena Vreeland, *et al.*, *Area Handbook for North Korea*, p. 34.

¹⁸⁸Joseph Sang-hoon Chung, *The North Korean Economy*, p. 119; Eui-Gak Hwang, *The Korean Economies*, p. 203.

¹⁸⁹Economist Intelligence Unit, *Country Report: China and North Korea*, no. 2, 1988, p. 42.

¹⁹⁰Economist Intelligence Unit, *Country Report: China and North Korea*, no. 1, 1984, p. 31.

¹⁹¹Economist Intelligence Unit, *Country Report: China and North Korea*, no. 3, 1991, p. 36.

Since 1995, the North has also been requesting emergency food aid from the United Nations World Food Programme, humanitarian agencies, and from the governments of the US, South Korea, and Japan. South Korea repaid its 1984 debt for food aid by providing rice in 1995, to be followed by the US and Japan. North Korea again demanded food aid in early 1996, but was turned down by the US and Japan because of the South's suspicion that the North was exaggerating the threat of flood damage and using the food aid issue to divide the US, Japan, and South Korea. After talks on food aid in February 1996, the South Korean government stuck to its refusal to provide aid, and persuaded Japan into doing the same, but the US decided unilaterally to give US\$2 million via international agencies. In mid-1996, the North made more demands for aid to the World Food Programme, with the US and Japan deciding eventually to each give US\$6 million and South Korea US\$3 million in June 1996, again via international agencies. The World Food Programme issued warnings in the same month that more food aid would be needed for the North in the remainder of the year and into 1997.

As mentioned in previous sections, the various parties involved in providing aid have disagreed over the extent of the food shortages in the North. The World Food Programme has argued on North Korea's behalf for the worst case scenario, with the US willing to accept this view. South Korea has remained skeptical, and is less willing to see the North extract any kind of political advantage from the food crisis, with some analysts claiming that the North Korean army has been hoarding large supplies of foodstuffs.¹⁹² Japanese officials have been more reserved in their judgement, but perhaps tend to the view that North Korea is in a truly desperate food situation.

But whatever the exact situation in North Korea, it is clear that at least it is serious enough for the North Korean to shelve its *juche* ideology and to accept aid even from its rival in the South. This is a demonstration of the limits to North Korean resilience and availability, and shows that the former dependency

¹⁹²Interview at Gendai Korea Research Centre, Tôkyô, 25 June 1996.

relationship on the USSR and China for aid is now beginning to be replaced by one with the US, South Korea, and Japan. The vulnerability of the North has been exposed, and it is possible for states like Japan to use economic power to influence the North's security behaviour by the offering of positive and negative sanctions.

Japanese aid power and North Korea

Chapter three reviewed the connection between Japanese ODA and security policy, and concluded that through this economic component Japan possessed a measure of direct power by its ability to offer positive and negative sanctions to reward or punish other states. It was also made clear how Japanese aid policy has generally been based on the latter approach, but that in the 1990's as in the case of China and Burma, the Japanese state has considered using the second option more often. This final section on economic power examines the possibilities and limitations of the Japanese state's use of food aid, compensation, and ODA for its security policy with regard to North Korea in the 1990's.

The food aid that Japan has provided so far to North Korea can be seen as a positive sanction connected to security aims in that it is designed to stabilise North Korea and to prevent its immediate collapse. But equally, Japan could conceivably use food aid as a negative sanction, and by withholding aid it could coerce the North into cooperation over security issues, including its nuclear programme. Food aid, therefore, may have provided some security benefits to Japan, but there are also limits to this. The Japanese government has made it clear that food aid has only been provided in response to special North Korean requests, arguing against its planned use as a positive sanction in anything other than the short term. Moreover, Japan has only provided aid after agreement with South Korea and the US, so limiting the use of the aid as strategic tool of Japanese security policy.

The provision of compensation for colonial and or wartime damage, however, has looked in the past as forming as a more effective type of aid to influence North Korea behaviour on security. Compensation was and remains a major issue of the

normalisation process, with at stake for the North possible access to billions of dollars of aid, mostly given in the form of concessional loans. The offering of this aid to North Korea which is desperate to find a new source of support in the 1990's, could create an important dependency relationship between the two countries with benefits for security. But a number of difficulties still block the provision of compensation from Japan to North Korea. Japanese government officials maintain that the Joint Declaration of 1990 is a party-to-party agreement and is not binding on Japan, and thus that Japan has no obligation to pay compensation unless it is negotiated on a government-to-government basis during normalisation talks. In addition, the demands of North Korea are clearly unrealistic at anything between US\$5 billion and US\$10 billion, and Japan can only negotiate compensation in line with the principles of the 1965 Basic Treaty with South Korea. This means that any major difference between the conditions of Basic Treaty and any compensation agreed with the North would oblige Japan to then renegotiate compensation with the South. The whole process of compensation is constrained by South Korean demands that the normalisation process of which compensation is a part is carried out only in accordance with an improvement in North-South dialogue. Finally, as will be outlined in chapter six, forces within the LDP for reasons of factional advantage are looking to block the provision of aid to North Korea at present.

ODA has been perceived by many of Japan's policy-makers as the most potent form of economic power available to the Japanese state not only to exert pressure on other states, but also as a way to increase interdependency between Japan and other states and to create the conditions for peace. But in the case of North Korea, Japan is unable to apply this form of direct economic power due to the absence of diplomatic relations with North Korea. At a stroke, therefore, Japan's aid with regard to North Korea is rendered ineffective, and Japan as an ODA Great Power is hamstrung. Japan's potential role in assisting directly vital projects such as the TRADP is closed off.

However, there are other opportunities for Japan to use its ODA for security purposes via multilateral routes for aid which can avoid the immediate political difficulties of providing aid to a country with which it has no diplomatic relations. The ADB, in which Japan exercises so much influence, as yet has only observer status in the TRADP. Pressure from the Japanese government for greater participation by the ADB in the project could allow Japanese aid to flow to North Korea via this international financial institution. Another possible route for Japanese aid to North Korea could be to provide China with funds for joint development projects that it could carry out with North Korea. By a variety of routes, North Korea could receive Japanese aid, and begin to be incorporated into the Japanese aid structure, so creating a dependency relation with benefits for security in the interim period before normalisation is finally achieved and Japanese ODA power can be brought to bear fully.

SUMMARY

Table 27: Japan's economic 'power portfolio' with regard to North Korea

Component of economic power	Degree of vulnerability of North Korea	Degree of indirect power accruing to Japan	Degree of direct power accruing to Japan
Production	High	High	Low
Finance	High	High	Medium
Trade	High	High	Medium
Energy	High	Medium	Medium
Communications	High	Medium	Medium
Aid	High	Low	Low

This chapter has examined the North Korean economy since the end of the Cold War and found that, despite the North's record of independent economic development and resilience in many areas, it has now become vulnerable across a range of economic components. The industrial and, in particular, agricultural production systems of North Korea are at a crisis point and need fundamental reform. North Korea's financial situation is precarious, and its foreign trade shrinking. The energy shortage in the North has also hit its economy hard, and the

economic problems of the North have been reinforced by its poor communications and a decline in foreign aid since the collapse of the Soviet bloc. Hence, North Korea is a country in desperate need of assistance to help rebuild its economy and to alleviate the causes of domestic economic instability which also threaten to upset regional security. This assistance can come both at the government level, through the provision of food and energy aid, and at the private level, through the expansion of North Korea's business links with the outside world. Given the nature of the North Korean economy and security problem, this suggests that it is an ideal case study for examining global civilian power and the utility of Japan's economic power in post-Cold War security policy. This chapter by analysing the links between the Japanese and North Korean economies has shown that indeed there are areas of vulnerability in which the Japanese state for security purposes could employ direct economic power to offer positive and negative sanctions to North Korea. These areas include trade, finance, energy, and aid. But it has also shown that the extension of indirect economic power, marked by cooperation between the Japanese state and the Japanese business community to promote the success of schemes such as the TRADP, is most likely to have the greatest benefits for security. Table 27 summarises the vulnerability of the North Korean economy and the extent of Japan's direct and indirect economic power in relation to its.

Japan's role in any attempt to reform the North Korean economy will always have to take second place to South Korea's, but what this chapter has shown is that the potential does exist for Japan to operate as a global civilian power in the case of North Korea. However, at the same time, it has also shown that Japan's mobilisation of its economic power has so far been limited. The task of the next chapter is to analyse why this has been so.

6 The Japanese policy-making process, limits to the economic engagement of North Korea, and Japan's military security policy

Chapters four and five have argued that the international politics and security situation in and around the Korean Peninsula have been in the past, and continue to be the 1990's, dominated by the interaction of the regional great powers of Northeast Asia. From the Chinese World Order through to the Imperial Age, and into the Cold War, there existed on the Korean Peninsula a scenario of international politics similar to the model propounded by realist thinkers, revolving around questions of geostrategic national interests; balance of power and alliance-politics; and above all military power. This realist-military power scenario can be seen to have persisted into the 1990's and post-Cold War period, with continuing confrontation between North and South Korea; diplomatic and alliance maneuvering by the major powers; and periodic military crises--the most important of which was the North Korean nuclear crisis that reached its high point in mid-1994.

However, chapters four and five have also made the argument that, even while the above type of realist-military scenario has continued into the 1990's and often remains as dominant, in the midst of this scenario there has begun to emerge a fresh approach to dealing with the problems of security on the Korean Peninsula. This approach looks in part to move away from the historical pattern of politics on the Korean Peninsula, and instead seeks to explore the possibilities for creating a security structure to supplement and even replace the existing one, and is based on economic cooperation and the creation of international institutions, or what can be termed theoretically as 'liberal' principles of international politics. Although the conception of this liberal project for security on the Korean Peninsula can be seen to have existed for quite some time before the end of the Cold War, it received its greatest stimulus with the weakening of the Cold War structure on the Korean

Peninsula, and especially after the passing of the height of the North Korean nuclear crisis by late 1994. While the degree of commitment to the liberal project by the governments of the major powers connected with the Korean Peninsula has varied in accordance with changes in their domestic and international political situations, it is clear that the conception of the importance of the use of economic power in dealing with North Korea as a security problem has begun to take root. In particular, the US government, led by the US Department of State, has given concrete form to these conceptions and argued for the practical utility of economic power in the service of security by its adoption of the 'soft landing' policy towards North Korea. The policy of extending economic cooperation to North Korea, and encouraging its participation in international institutions through the mechanism of KEDO, has clear limitations in scope and the contribution it can make to stabilising the North Korean economy. Furthermore, it does not move away completely from the realist scenario as it is a project controlled at the government level, and is a form of aid that can be withheld as a negative sanction in response to changes in North Korea's diplomatic position, and thus is far removed as yet from a neo-liberal scenario of economic interdependence. Nonetheless, despite these limitations of the 'soft landing' policy, and the fact that it can in some ways be interpreted merely as ensuring the *status quo* on the Korean Peninsula by propping up over the short term the North Korean regime, it is also clear that the basic thrust of the policy is to create a bridgehead for greater economic cooperation between North Korea, the US, and other regional powers. Consequently, in this sense, the 'soft landing' policy is the first concrete expression and step towards attempts to build something akin to a liberal model of economic and political interdependency, and to change the nature of security on the Korean Peninsula and provide a lasting answer to the North Korean security problem. How far the policy can succeed remains unknown, and depends largely on the attitudes and flexibility of the two Koreas. But following the nuclear crisis of 1994, which may have marked something of a watershed in the politics of the Korean Peninsula, the beginnings can be seen of a

shift away from an exclusively realist-military power conception of the North Korean security problem, with a corresponding move towards increased recognition of its liberal-economic power aspects. Hence, as military confrontation on the Peninsula has shown signs of abating since the passing of the height of the nuclear crisis, a window of opportunity has been created for the use of economic power to play a crucial role in resolving the North Korean security problem.

It has been argued that in line with the US and South Korea there has also been a gradual shift in conceptions in Japan of the North Korean security problem and the means of power necessary to contribute to dealing with it. The realist scenario aspects of the problem clearly remain prominent, as Japan remains concerned about the various forms of conventional and low-intensity warfare threats posed by North Korea. Furthermore, as already seen, in addition to these direct military threats, Japanese policy-makers have also been concerned about the indirect threat posed to Japan's security by the pressure that North Korea has exerted on Japan's relations with South Korea and the US-Japan security system. These concerns have been given greater force coming as they do at a time of intense difficulties in the US-Japan security relationship over issues such as Okinawa. Japan can be seen to have reacted to the military and alliance-politics side of the North Korean threat by limited moves to strengthen its military defences, and by diplomatic activities during and after the nuclear crisis of 1994 to shore up its relations with South Korea and alliance with the US.

But at the same time that Japan has been forced to acknowledge and react to the realist-military aspects of the North Korean security problem, it is apparent that in Japan too the conception has also taken hold of North Korea as an issue that needs to be addressed by economic power. This conception is particularly strong among Japanese scholars who have argued for the importance of economic engagement with North Korea as a contribution to security and who favour the integration of the North into the region through projects such as the TRDAP and the Sea of Japan

Rim economic zone. But it is also the case that the conception of North Korea as increasingly a problem of security related to economic power has become influential in the Japanese policy-making community. Politicians and bureaucrats to varying degrees have begun to use the discourse of economic integration to discuss approaches to the North Korean security problem, and this has fed through into the Japanese government's support for the KEDO project, and its provision of food aid to North Korea in the summer of 1995.

Given the increasing acceptance on all sides of the growing utility of economic power as a means with which to deal with the security problems presented by North Korea, the previous chapter also examined what potential Japan might have for exercising both direct and indirect economic power to help towards a resolution of the North Korean security problem. By assessing the elements of economic power--production, finance, trade, knowledge, transportation, and aid--it was found that Japan does possess in theory a great deal of potential economic power that if extended to North Korea could have benefits for North Korea's, Japan's, and the region's security. However, this investigation also revealed that at present Japanese direct and indirect economic power towards North Korea has only been mobilised to a limited extent, and in fact that Japan-North Korea economic relations have continued to stagnate in the 1990's. The conclusion thus far has been that despite the recognition on the part of Japanese policy-makers of the possibilities of economic power for resolving the North Korean security problem, and despite the clear reserves of economic power that Japan possesses, in practice Japan has not been able to utilise or promote economic power in the service of its security policy in this case to the extent that theory suggests it could, and has not yet acted in accordance with the model of global civilian power.

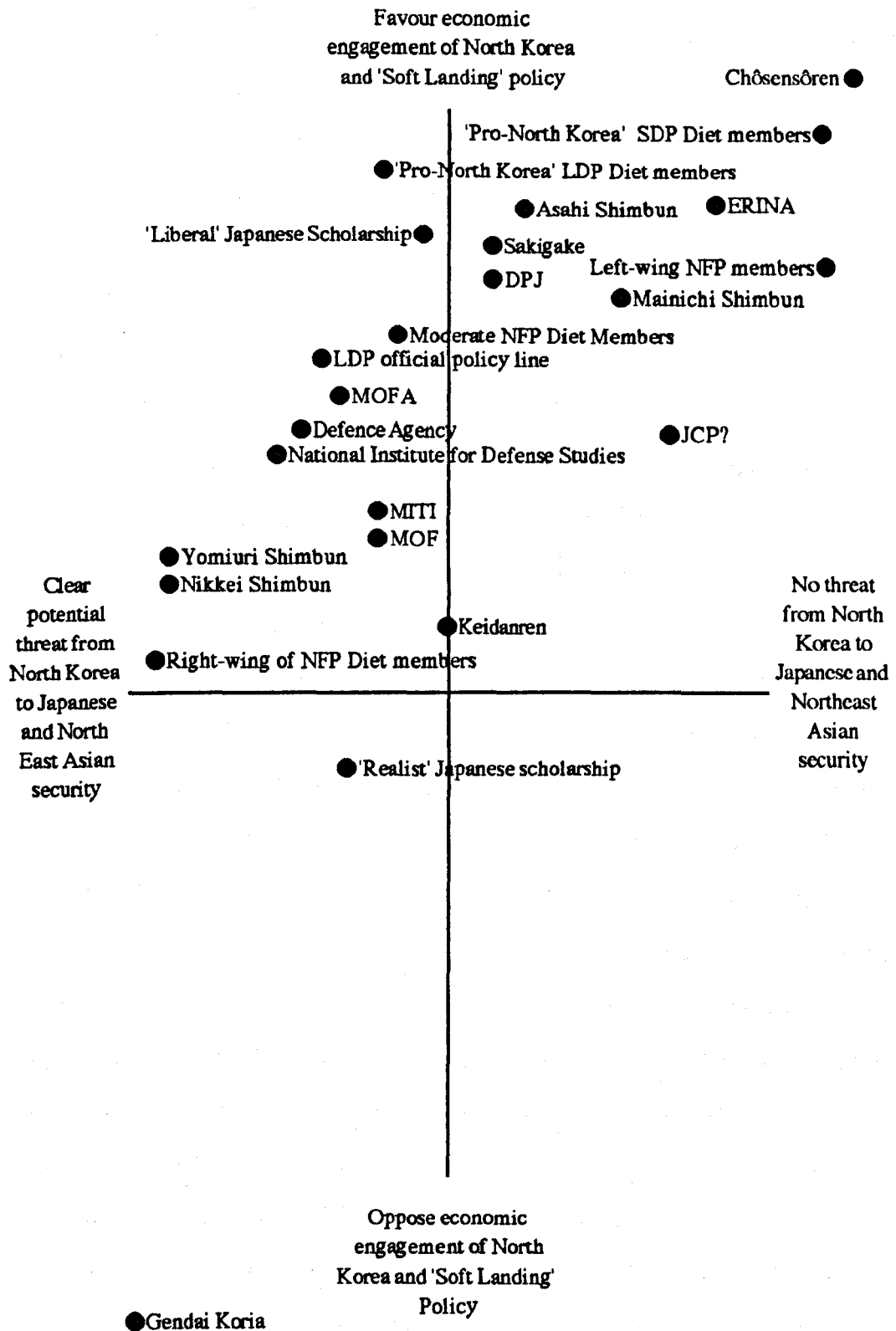
The purpose of the following chapter is to examine the reasons behind this gap between the conceptions and actual execution in the use of economic power for security ends in the case of North Korea. In order to discover the reasons for the

restrictions in the use of economic power, it is necessary to look in detail inside the economic and security policy-making process in Japan, to breakdown and examine the views of the main policy actors towards North Korea, and to discover how they interact and restrict each other, and finally to consider the consequences of this for outcome of Japanese policy. At the same time as examining the difficulties in the policy-making process for Japan's mobilisation of economic power, the following section will also ask whether these difficulties have created a situation whereby Japanese policy-makers have been persuaded to neglect the economic aspects of the North Korean security problem, and instead have become preoccupied again with its military and especially alliance-politics aspects. Hence, the next chapter sets out to demonstrate that despite the awareness of the economic nature of the North Korean security problem, and the glimpse of a 'window of opportunity' to deal with it on this basis since the passing of the nuclear crisis, a number of pressures have conspired to ensure that between the end of the nuclear crisis in late 1994 and the current period, Japanese military and alliance security policy has developed more than economic security policy in response to North Korea. In this situation, the course of Japanese security policy can be seen to run counter to the conception of North Korea as a problem of economic power and security, and the window of opportunity for Japan to contribute to the beginnings of a shift of the Korean Peninsula from a realist-military power to a liberal economic power security scenario may be narrowing, if not already closed.

The main actors in the policy-making process involved in the use of economic power for security have been identified in chapter three as the political parties, the economic bureaucracy and the MOFA, and big business. In addition, *gaiatsu* also has to be admitted as an important constraint in the policy-making process. The main external actors in the case of North Korea are the US and South Korea. When looking at the case of North Korea as a problem of both economic and military power, it is also necessary to add other actors to the policy-making process. The

defence-related aspects of the problem mean that the Defence Agency and SDF have to be added to the MOFA as important bureaucratic actors. Finally, some other actors related to the North Korea and security issues have to be considered, such as the Chôsensôren and the mass media.

Matrix to illustrate the opinions of the foreign and defence policy-making community in Japan regarding the North Korean security problem



POLITICAL PARTIES

Analysis of the Japanese policy-making process in the case of North Korea will begin with the main political parties--the LDP (Liberal Democratic Party); the SDP (Social Democratic Party) and Sakigake (Harbinger Party); the DPJ (Democratic Party of Japan); the JCP (Japan Communist Party); and the NFP (New Frontier Party or Shinshintô). Politicians are at the start of this study of policy-making, not necessarily because they are the most dominant element in the policy-making process, but because they have shown themselves capable in the past of taking the initiative in Japan-North Korea relations.

The most notable example of this type of initiative was the Kanemaru-LDP-SDP mission to North Korea in September 1990. As explained previously, the politicians engaged in this mission and in other past attempts to improve bilateral relations between Japan and North Korea became involved for a variety of reasons. These ranged from the narrower constituency interests of Diet members, such as fishing rights, the *Fujisanmaru* crew, and economic exchange, through to wider international interests connected with the desire to clear up the legacy of colonial history and to contribute to the stability of the Korean Peninsula and the entire Northeast Asia region. None of these interests were mutually exclusive for Diet members from the LDP and SDP, and for some their interest in promoting Japan-North Korea relations was probably reinforced by the incentive of financial contributions from the North Korean community in Japan and other domestic interest groups, and even possibly from North Korea itself. However, as has been seen in chapter four, whilst the Kanemaru mission established the breakthrough in Japan-North Korea relations that lead to the start of normalisation talks, ultimately the mission came to be judged by many as a failure due to the concessions that were made on compensation in the Three-Party Declaration, and because this agreement was to become one of the main issues of contention between the Japanese and North Korean governments in the talks. Kanemaru's independent diplomacy in

North Korea came to be criticised first for betraying Japanese national interests on the issue of compensation, and later on for being motivated mainly by his own individual financial interests, with accusations of having taken bribes from pro-North Korean groups in Japan.

The failure of Japan-North Korea normalisation talks in November 1992 coincided with the beginnings of the fall of Kanemaru from his position as the 'king maker' of the LDP and Japanese politics. Kanemaru's implication in the Sagawa Kyûbin scandal after August 1992 was to prove the main overt cause of Kanemaru's downfall. But it is also clear that, even while there is no easily identifiable connection between the two, the Sagawa Kyûbin scandal was really only the last in the line of political miscalculations that had begun with his mission to North Korea.¹ The removal of Kanemaru from political influence came to symbolise, and in many ways proved the catalyst for, the breakdown of LDP one-party rule and the 1955 political system described in chapter one. The criticism that Kanemaru received for his involvement in North Korean affairs, the contribution of this to his and in turn the 1955 political system's downfall, and the subsequent political realignments between 1992 and 1996, now raises the question of whether or not politicians are able again to launch diplomatic or economic initiatives towards North Korea. The next sections will look at how the changes in their political fortunes and the experience of Kanemaru have affected the attitudes of each political party towards North Korea, and will also examine how they view North Korea as a problem of military and economic security. By doing so, the restrictions that have been placed on politicians in dealing with North Korea will be revealed, and how these have influenced their input into the Japanese security policy-making process. Examination begins with the LDP and the SDP as the two parties most involved in the issue of North Korea in both opposition and government.

¹Chalmers Johnson, 'Puppets and puppeteers: Japanese political reform,' in Chalmers Johnson, *Japan Who Governs? The Rise of the Developmental State*, New York, Norton and Company, 1995, pp. 212-31.

Liberal Democratic Party

LDP policy towards North Korea in the past has tended to reflect the broad spectrum of conservative opinion contained within the party and its factions. A hard-line, anti-communist approach towards North Korea has long existed amongst a limited number of LDP Diet members. But as already seen, a significant number of LDP members have for a variety of reasons also been long convinced of the need to promote relations with North Korea, and the chairman of the Dietmen's League for the Promotion of Japan-North Korea Friendship has invariably been from the LDP. The Ajia-Afurika Mondai Kenkyūkai (Asia-Africa Study Group) or A-A Ken, which was instrumental in promoting of Sino-Japanese ties in the 1970's, has also been in favour of improved Japan-North Korea relations.² Moreover, in addition to these groups of LDP Diet members and intra-party bodies which have long been supporters of improved relations, there have also been influential senior members of the party, such as Kanemaru Shin, who have been later converts to the cause. This group of 'pro-improved North Korea relations' members has maintained, as far as international and domestic conditions will allow, good contacts with the North by periodic visits to Pyongyang to meet with their counterparts in the KWP leadership—a type of personal leader-to-leader diplomacy also seen in Japan's relations with China, and exemplified by Kanemaru's dialogue with Kim Il Sung in September 1990.

Following changes in domestic politics and the LDP structure in the 1990's, and since the end of the nuclear crisis in 1994, it is clear that LDP policy towards North Korea has undergone some change. The problems posed by North Korea to domestic politics and the JRP-JNP-SDP coalition during the nuclear crisis have already been pointed out. Pressure from the SDP during and after the period of its coalition with the LDP, combined with groups in the LDP sympathetic to North Korea, has ensured that North Korea has remained on the policy agenda of the

²Michael J. Green and Benjamin J. Self, 'Japan's changing China policy: from communal realism to reluctant realism', *Survival: The IISS Quarterly*, vol. 38, no. 2, Summer 1996, pp. 35-58; Ishii Hajime, *Chikazuita Tōi Kuni: Kanemaru Hōchōdan no Shōgen*, Tōkyō, Nihon Sansei Honbu, 1991, p. 8.

LDP. Official LDP policy reflects these concerns with relatively strong support for limited engagement with North Korea diplomatically and economically, and a generally restrained appraisal of the type of military threat that North Korea posed to Japan since the passing of the nuclear crisis. For instance, a December 1996 LDP Policy Affairs Research Council draft report on Japan's foreign policy in the Asia-Pacific region states with regard to North Korea that, if the North has a genuine desire to reform its economy, and if dialogue between North and South Korea advances:

The normalisation of Japan-North Korea relations will be crucial for the reconstruction of the North Korean economy. As a result of the expected large-scale transfer of capital and technology to North Korea following normalisation, it will be possible to some extent for the North to improve its infrastructure, to renew its industrial base, to utilise its good quality labour force, and to develop labour intensive export industries.³

The policy-making matrix gives an impression of where official LDP policy towards North Korea lies in regard to the economic and military aspects of the security problem. More firmly pro-North Korean elements of the LDP can perhaps be placed closer towards a policy of full engagement with a limited perception of the North Korean military threat, but the general feeling in the party seeks cautious engagement with the North, and this accounts for the willingness of the party to cooperate with the SDP in party-level diplomatic overtures to North Korea, such as the LDP-SDP-Sakigake mission to North Korea in March 1995. However, having described this cautious policy towards North Korea and some latent support for improved ties, it also has to be noted that there are major obstacles which act to suppress the active mobilisation of this support. In addition, there are other pressures which have persuaded policy-makers to avoid prioritising the problem, and allows LDP policy to drift away from the active pursuit of economic engagement with North Korea, and to focus instead on the military and alliance aspects of the security problem. Many of these obstacles and pressures are linked to the changes in the LDP's power and internal make-up since the early 1990's. But

³LDP Policy Affairs Research Council, *Gaikō Seisaku no Shishin: Nihon no Ajia-Taihei-yō Henka e no Chōsen* (Draft version) 28 November 1996, p. 22 [Author's translation]; *Japan Times*, 29 November 1996, p. 1.

also they are linked to the previous experience of dealing with North Korea and the knowledge that Japan-North Korea relations are not just a difficult diplomatic and security problem *per se*, but also that they have been responsible in the past for triggering those very changes in LDP structure and domestic politics, and for the downfall of powerful LDP politicians such as Kanemaru. In this way, involvement in initiatives to deal with North Korea has come to be recognised as an activity high in political risk but low on political and material rewards.

Changes in the internal structure of the LDP since the early 1990's have had an important impact upon the direction and style of party policy by reducing the numbers of both junior and senior Diet members in favour of and capable of taking steps towards improved relations with North Korea. These changes in internal structure were in part affected by the retirement of 'liberal' figures close to North Korea such as Utsunomiya Tokuma and Kûno Chuji, but also have been a result of the defection of 'dovish' LDP members to other parties. The most notable examples of these defections were Ishii Hajime to the NFP and Takemura Masayoshi to the Sakigake--junior members of the LDP most involved in organising Kanemaru's trip to North Korea in 1990. Added to retirements and defections, North Korea's cause in the LDP has also been damaged by the death of senior faction leaders who were in favour of improved ties with the North. Kanemaru had already lost much of his influence over the policy-making process due to his entrapment in financial scandals after 1992, but his death in 1996 further confirmed the severance of personal ties between the North Korean KWP leadership and senior LDP figures. Watanabe Michio, former Foreign Minister and leader of his own major faction, had looked set to replace Kanemaru as the most senior figure in the LDP able to generate change in Japan-North Korea relations, when he led the coalition mission to North Korea in March 1995. But Watanabe's death later in the same year again deprived the movement for improved ties with North Korea of a senior LDP figure as leader.

The cause of improved relations between the two countries, though, still has supporters among groups of younger LDP members, such as those that visited North Korea with Watanabe in 1995. Moreover, following the end of the nuclear crisis of 1994, other more senior LDP figures have emerged to promote Japan-North Korea ties. Katô Kôichi, former Director General of the Defence Agency, Chief Cabinet Secretary, Chairman of the LDP Policy Affairs Research Council, and LDP Secretary General during the first and second Hashimoto administrations, may not exercise an influence within the party comparable to a faction leader such as Watanabe. But, as already seen, it is clear that Katô conceives of North Korea as a problem related to economic security and since 1995 has acted partly on his own initiative to improve relations with North Korea. Katô played a key role in the negotiations for the first round of rice aid to North Korea in June 1995. North Korean officials were reported to have passed over their normal channels of communication with the Japanese government--the SDP and Chôsensôren--in favour of direct talks with Katô, who at that time seems to have been regarded by the North Korean side as a party figure with influence similar to Kanemaru and able independently to move forward Japan-North Korea relations.⁴

In addition to Katô, another potentially influential ally for North Korean interests within the LDP is Yamazaki Taku, also a former Director General of the Defence Agency, a former Minister of Construction, and Chairman of the LDP Policy Affairs Research Council during both Hashimoto administrations. Whilst expressing concern over the military problems of continuing confrontation between North and South Korea, Yamazaki expressed his support for the early improvement of Japan-North Korea ties after the end of the nuclear crisis and the provision of rice aid, with an eventual view towards proceeding with the normalisation process. Yamazaki has denied press reports that he and Katô constitute the 'North Korean lobby' in the LDP, arguing that their experience of North Korean affairs is 'zero'.⁵

⁴Interview at National Institute of Defence Studies, Tôkyô, 1 November 1996.

⁵Yamazaki Taku, 'Reisenki to postu Resienki ni okeru anp seisaku no henka', in Yamazaki Taku, *Ajia Taiheiyô Jidai to Nichibei Anpo*, Tôkyô, Sandokê Shuppanyoku, 1996, p. 116.

But in contrast to Yamazaki's denials, it is interesting to note that he visited North Korea in June 1994 in an apparent effort to defuse the nuclear crisis, and that sources in the Chôsensôren regard Yamazaki as a 'friend' of North Korea.⁶

Therefore, despite the loss from the LDP for a variety of reasons of junior and senior 'pro-North Korea' Diet members, it can be seen that there is still a pool of potential support within the party for improved Japan-North Korea relations, and that this group has found as allies two out of the four most senior officials in the party. However, at the same time that potential support for political and economic engagement with North Korea continues to exist, there are barriers which restrict the ability of even senior LDP politicians to take the lead on new initiatives towards North Korea. The most obvious of these is the past experience of Kanemaru's involvement with North Korea and the domestic political costs associated with it. The North Korea 'jinx' also appears to have hit Katô, when after Japan's provision of the first round of rice aid to North Korea a KWP official was reported in the Japanese press to have stated that the aid was a form of apology for Japan's colonial rule in Korea. Whether the reported remarks were true or not is uncertain, but they were enough to force a denial from the then Chief Cabinet Secretary, Nozaka Kôken, and caused severe embarrassment for the government. As damaging for Katô as his being seen to be responsible for this diplomatic blunder, was the growth in rumours of his possible financial interest in improving Japan-North Korea relations.⁷ Katô's interests in the Japanese construction industry are believed to be similar to Kanemaru's, and this may have been one of the reasons for Katô's involvement in the North Korean problem. Further motivation probably is also provided for Katô and Yamazaki by their desire to tap into the financial benefits of any future provision of compensation to North Korea. After the September 1990 Joint Declaration this potential new source of political finance became the exclusive property of Kanemaru's Takeshita faction, and the

⁶Interview at the Chôsensôren, Tôkyô, 21 November 1996.

⁷Satô Katsumi and Nishioka Tsutomu, 'Katô Kôichi kanjichô wa Kita no kuriningyô ka', *Bungei Shunjû*, vol. 73, no. 17, December 1995, pp. 116-27.

speculation is that Katô and Yamazaki have been attempting to wrest control of these funds from the Takeshita faction in preparation for the battle over appointing Prime Minister Hashimoto's successor. Again the truth of these rumours cannot be established, but in themselves they have been sufficient to ensure that the image of financial scandal and intrigue associated with Kanemaru's dealings with North Korea has also threatened to stick to Katô, and this seems to have persuaded him since late 1995 to back away for the time being from further involvement with the North Korean issue.

Having had one of its potential sponsors in the LDP alienated by rumours of financial scandal, it appears that North Korea's main hopes for Japanese initiatives to provide aid and economic engagement now lie with Yamazaki.⁸ But it is doubtful how far Yamazaki and other members of the 'North Korea lobby' in the LDP can and are willing to push for improved ties at present. Haunted by the memory of Kanemaru, and conscious of the difficulties that Katô encountered in his dealings with North Korea, many LDP members are reluctant to become actively involved with the problem. North Korea, by exploiting its nuclear card in 1994, used up much of its reserve of good will in the LDP.⁹ The political costs of involvement with North Korea have proved to be too high in the past, and even those politicians with a possible financial interest in the problem do not see these benefits as sufficient to outweigh the risks. The Chôsensôren's ability to collect and channel funds to both SDP and LDP politicians has declined since the early 1990's, and the interest of Japanese domestic business in North Korea has also declined.¹⁰ Furthermore, the competition to be first in line for any financial hand-outs to be gained from achieving normalisation with North Korea means that the Takeshita faction has impeded the efforts of any other groups to take the initiative on Japan-North Korea relations which threaten its monopoly over this source of funds. In this situation, therefore, where active involvement with the problem of North Korea

⁸Interview at Cabinet Research Office, Tôkyô, 11 November 1996.

⁹Interview with LDP House of Representatives Diet Member, Tôkyô, 4 December 1996.

¹⁰Interview at Gendai Korïa Research Centre, Tôkyô, 30 October 1996.

promises immediately neither votes nor money, there are few incentives for LDP members to take initiatives on engagement with North Korea, and this is even when they are convinced of the wider importance of such initiatives for the security of Northeast Asia. Furthermore, combined with concerns about the political risks of dealing with North Korea, LDP members are also aware that the political constituency to support improved Japan-North Korea relations is too narrow. As Map 1 demonstrates, the majority of LDP members with an interest in North Korean affairs are either drawn from the Japan Sea side of Japan or from areas with large concentrations of Korean residents, and both Katô and Yamazaki also fall into these categories. Whilst this constituency forms a fairly solid foundation for building support for improved ties with North Korea, it is clearly too small to carry opinion within the LDP as a whole towards active engagement with the North, and reflects the fact that the regional and public support for such a policy is very limited.

Analysis of those groups within the LDP which are in favour of active attempts to improve relations with North Korea reveals, then, that their influence in the policy debate has been restricted due to changes in personnel and concerns about domestic political costs and benefits. The overall result of this has been that most of the LDP members who tend towards the view that there needs to be an improvement of Japan-North Korea ties have come to the conclusion that the time is still not right to pursue relations actively, and have felt compelled to shelve the issue, and to wait upon the results of US-North Korea diplomatic talks to see if this produces an atmosphere more conducive to the normalization of Japan-North Korea relations. The passivity of the pro-improved North Korea relations groups in the LDP is perhaps best shown by the fact that since late 1995, the Dietmen's League for the Promotion of Japan-North Korea Friendship has been 'temporarily' disbanded.¹¹

¹¹Interview with LDP House of Representatives Diet member's staff, Tôkyô, 30 October 1996.

In this situation of the existence but lack of mobilisation of the 'pro-North Korea' lobby, and a general, if partly reluctant, acceptance of reliance upon the US to handle diplomacy with North Korea at present, LDP policy towards the North Korea has entered something of a state of 'drift'. With regard to the economic aspects of the North Korean security problem, the LDP party-line recognises the importance of engagement and backs the limited and slow drift of Japan towards engagement with North Korea as part of the US policy of the 'soft landing'. Thus, official LDP policy can be characterised as relatively high on the matrix with regard to engagement, as the LDP favours limited economic, political, and diplomatic contacts with North Korea. But at the same time as this gradual move towards engagement is occurring, it is also apparent that the lack of a strong policy impetus is also allowing LDP policy to drift or even be maneuvered towards greater emphasis upon the military and alliance aspects of the North Korean security problem. For while most sections of LDP opinion can be content with slow progress or even neglect of economic engagement with North Korea as not harming Japan's immediate security interests, it is clear that they cannot allow the military and alliance-politics aspects of the problem to go unattended.

As already discussed, the North Korean security threat presents a series of military and political alliance problems to Japanese policy-makers. Although concern over North Korea's nuclear programme has been assuaged to some extent by the Agreed Framework of August 1994, North Korea's position as a nuclear proliferator, and military threats associated with the explosion or implosion of the North Korean political system, such as low intensity warfare and refugee flows, remain as major security concerns. In addition to these military concerns, North Korea has presented an indirect military threat to Japan due to the pressure that it has exerted on Japan's relations with South Korea and the US-Japan security alliance. As stated previously, the pressure that North Korea has exerted on the US-Japan security alliance in East Asia has been particularly unwelcome and

worrying for Japanese policy-makers, coinciding as it has with additional tensions in the US-Japan alliance generated by the issue of US military bases in Okinawa.

LDP policy on North Korea has come to reflect these military and alliance concerns. 'Hawkish' sections of the party have been willing to identify North Korea as a direct military threat to Japan through its nuclear programme and development of ballistic missiles. The bulk of opinion in the party, though, is more moderate in its assessment of the North Korean threat to Japan. While there is deep concern about North Korea's unclear military posture and its maintenance of large armed forces, the majority of LDP politicians doubt North Korea's ability, even with ballistic missiles, to threaten directly Japan on any significant scale, and hence can be placed lower on the matrix with regard to the perception of North Korea as a military threat. In fact, since the passing of the nuclear crisis in 1994, LDP policy-makers seem to have become less concerned with the direct threat to Japan's security from North Korea, and more with the problems shown up by North Korea with regard to Japan's bilateral relations with the US and South Korea, and Japan's general lack of a crisis management system to cope with any type of contingency on the Korean Peninsula or elsewhere. Thus, the overriding priority of all LDP members from all spectrums of opinion when dealing with North Korea has been to repair any damage done by it to the US-Japan security alliance and to preserve good relations with South Korea.¹² Even those LDP members who have long campaigned for improved ties with North Korea and continue to support engagement acknowledge that the priority for Japan is to maintain the US-Japan security relationship as the foundation of Japan's security, and that is an acceptable aim even if it is achieved at the cost of relegating in importance or neglecting a policy of engagement with North Korea. Within the LDP, then, the strongest policy impetus with regard to North Korea is to strengthen the US-Japan alliance and Japan-South Korea relations. Under these circumstances, the drift towards engagement with North Korea has been paralleled, and to some degree

¹²Interview with LDP House of Councillors Diet member, Tōkyō, 16 December 1996; interview with LDP House of Representatives Diet member, Tōkyō, 6 February 1997.

counteracted, by a drift towards a strengthened US-Japan alliance in response to the military but above all political challenges presented to it by North Korea.

The types of moves that are being made to reinforce the US-Japan alliance in response to the weaknesses demonstrated in it during the North Korean nuclear crisis and thereafter include the research conducted by the LDP Policy Affairs Research Council since February 1996 concerning Japan's role in support of the US during the event of a contingency in the Far East. As seen in chapter four, in 1994 the US called for Japan to clarify the types of logistical assistance it could provide to the US if a conflict broke out on the Korean Peninsula, and this yielded some basic but inconclusive research by the Defence Agency. However, research began again in February 1996 in preparation for the visit of President Bill Clinton to Japan in April of the same year, a visit designed as a deliberate effort to reestablish the legitimacy of the US-Japan alliance after the Cold War. The research was intended to clear up the 'grey' areas of where and how Japan could assist the US in the event a Far East contingency, but this time the research, due to its sensitive political nature, was initiated by the LDP's Policy Affairs Research Council and Security Research Council.¹³ The end results of this research contributed to the conclusion of the ACSA agreement in April 1996 to be discussed later on.

In addition to this example of LDP institutions working to strengthen the US-Japan alliance following on from problems posed by North Korea, individual LDP members have also begun to argue for the North Korean threat as being one sufficient to justify greater cooperation with the US in other areas and a general strengthening of Japan's own defence planning. If Katô and Yamazaki constitute two of the four most senior politicians in the LDP in favour of improved Japan-North Korea relations, then the third member of this foursome is less interested in engagement with North Korea and more in favour of dealing with the military aspects of the North Korean security problem. Kajiyama Seiroku, the Chief

¹³Tôseimu Chôsakai and Anzen Hoshô Chôsakai, 'Nichibei anpo taisei no konnichi teki igi', *Gekkan Jiyûminshu*, no. 518, May 1996, pp. 92-6.

Cabinet Secretary during both Hashimoto administrations, has argued consistently for the creation of a *yûji hôsei*, or emergency laws, to deal with a security crisis in Japan sparked by conflict on the Korean Peninsula. Fearful of the implosion of North Korea and the possible landing in Japan of armed refugees from the North or even South Korea, Kajiyama has stressed that Japan should instigate a minimum set of laws to allow Japan's own security forces to act within a clearly established legal framework and strengthen support for the US forces in Japan in order to deal with the problem.¹⁴ Like Katô and Yamazaki, Kajiyama's influence also has limitations and his comments in August 1996 on the dangers of a refugee crisis drew criticism from the press in Japan and from South Korea. But it is clear that Kajiyama's drawing of a link between improved Japanese defence efforts, a strengthened US-Japan alliance, and the North Korea low-intensity military and implosion threat is proving far more influential in government and party circles than the opinions of those LDP members arguing for increased engagement with North Korea economically.

To conclude on the LDP's attitude to North Korea as a security problem, it is apparent that the majority of LDP members share the conception of North Korea as an economic problem, and give their cautious assent to participation in the 'soft landing' policy. But at the same time as these types of views exist, there is no group in the LDP which at present feels capable of taking the initiative to push towards greater engagement. Instead, the difficulties of dealing with North Korea have persuaded most LDP members that the problem cannot receive priority. The real priority has become the US-Japan alliance and Japan-South Korea relations, and so drift on the issue of economic engagement has allowed greater emphasis on the military aspects of the North Korean security problem. This explains the gap between the perception of North Korea as an economic problem and the actual policy outcome of the LDP's concentration on the military aspects of the North

¹⁴*Asahi Shimbun*, 9 August 1996, p. 2; *Japan Times*, 19 November 1996, p. 3.

Korean problem, and why there is unlikely to be any initiative again within the LDP similar to the Kanemaru mission to North Korea in 1990.

Social Democratic Party

The other party involved in initiatives to improve Japan-North Korea relations in the past is the SDP. Senior officials from the SDP have maintained close links with the leadership of the KWP and the North Korean community in Japan, and the party has often acted as the information 'pipe' for contacts between the Japanese and North Korean governments. Since 1993, the SDP as a member of anti-LDP and then LDP coalitions continued to push within the government for friendlier Japan-North Korea ties, and for progress towards diplomatic and economic engagement. As already seen in the description of the Japanese government's policy towards North Korea during the nuclear crisis, the SDP whilst condemning North Korea's use of the nuclear card, was resistant to the imposition of UN economic sanctions, and this resistance was one of the reasons for the ultimate fall of the Hata coalition government in June 1994. SDP influence on the policy-making process towards North Korea probably reached its height after Murayama Tomiichi assumed the premiership of the LDP-SDP-Sakigake coalition government in the same month and after the signing of the Agreed Framework in August 1994. For the SDP, the nuclear accord represented the best option for easing military tensions on the Korean Peninsula, and Murayama was able to pledge his party's and the Japanese government's support for the LWR project. The SDP also in this period participated in the despatch of the three-party mission to North Korea in March 1995. The resignation of Murayama as prime minister in January 1996 marked the beginnings of the SDP's reduced influence over the policy-making process. But even after the start of Hashimoto's premiership, the SDP continued to argue inside the coalition for improved ties with North Korea, resulting in the planned but later canceled coalition three-party mission to South Korea in March 1996, which was designed to explain Japan's policy to the South's government in

advance of another party mission to North Korea planned for later in the same year. After the elections for the House of Representatives in October 1996, and the SDP's refusal to join another coalition government with the LDP, the SDP has continued to seek better ties with North Korea, and perhaps has retained some influence over the LDP government due to the fact that the LDP requires the SDP's votes on issues such as administrative reform.¹⁵

The general policy of the SDP is based on the same mix of narrow constituency and wider national interests as that of the LDP, but differs in character due to the variations of emphasis on the economic and military aspects of the North Korean security problem. The SDP leadership has pushed not only for diplomatic ties with North Korea, but also for the sponsoring of greater economic interdependency between Japan and North Korea through the Sea of Japan Rim economic zone concept.¹⁶ On the other hand, the SDP, although concerned about military tensions on the Korean Peninsula, has played down the extent of the direct threat posed to Northeast Asia's and Japan's security by North Korean aggression. For instance, an SDP Security Research Council report of 12 April 1996 noted prior to the visit of President Clinton in the same month that, 'If the activities and strengths of North Korea are evaluated objectively, it can be considered that there is no immediate danger of a military crisis on the Korean Peninsula.'¹⁷ Other SDP members close to the North Korean community in Japan go further and state that North Korea poses no military threat to Japan, and this is especially after the passing of the nuclear crisis in late 1994.¹⁸ Added to this, many SDP members are suspicious that

¹⁵One example of the SDP's continued influence on the LDP, is perhaps the inclusion in the latter's October 1996 election manifesto of a pledge to work towards the creation of a nuclear-free zone in Northeast Asia. This has long been a socialist party aim, and its sudden inclusion in the LDP's manifesto is probable evidence of SDP pressure.

¹⁶For example, the SDP has been an enthusiastic supporter of economic integration in the Sea of Japan to turn it into a *heiwa to yūjō no umi*, or 'sea of peace and friendship', and senior party figures such as Murayama Tomiichi and Itō Shigeru have attended seminars held by the Economic Research Institute for Northeast Asia to give addresses in support of the Sea of Japan Rim economic zone. Itō Shigeru, 'Kannihonkaiken ni okeru kaihatsu to kankyō ni tsuite seisaku yōkō o teisō suru', *Gekkan Shakaitō*, no. 452, April 1993, pp. 74-7; Murayama Tomiichi, 'Shusai no aisatsu', *Gekkan Shakaitō*, no. 462, January 1994, pp. 45-8.

¹⁷Shakaitō to Anzen Hoshō Chōsakai, 'Nihon to anpo jōyaku no atarashii yakuwari', *Gekkan Shakaitō*, no. 494, June 1996, pp. 20, 22 [Author's translation].

¹⁸Interview with SDP House of Representatives Diet member, Tōkyō, 20 November 1996.

the LDP and the government in Japan have attempted to strengthen the US-Japan alliance based on a Korean contingency, which is seen as shorthand for a North Korean threat.¹⁹ The impact of the Japan-US Joint Declaration on security matters will be discussed in detail later, but at this point it is sufficient to note that the SDP does not share even the limited threat perception of the LDP with regard to North Korea. As Itô Shigeru, the chairman of the SDP's Policy Affairs Research Council, noted in June:

The latest joint declaration indicates North Korea and the Korean Peninsula as the biggest problems [for East Asian security]. However, we [the SDP Policy Affairs Research Council] think that we have to prepare a 'soft landing' for the DPRK in international society and promote friendly relations...Japan has a big role to play in the diplomatic strategy to stabilise North Korea.²⁰

Hence, the mainstream of SDP opinion towards North Korea can be placed within the policy-making matrix as high on engagement and low on the military threat perception of North Korea. But despite the SDP's consistent policy of economic engagement and the use of Japan's economic power to deal with the security problem, it is clear that the SDP's ability to act upon its policy stance and to push forward Japan-North Korea relations is limited. In a similar way to LDP Diet members, involvement with North Korean affairs carries the stigma of financial scandal, and in the past there have been the threat of investigations into the funds that it is alleged SDP members receive from the North Korean community in Japan.²¹ This has also persuaded many SDP members to steer clear of active dealings with North Korea, and like their counterparts in the LDP, they are aware that the regional and public basis of support for efforts by the SDP to improve relations with North Korea is very narrow.

¹⁹For an example of this type of view, see the comments of Yamaguchi Tetsuo, Secretary General of the SDP, 'Kyokutô yûji de Nihon wa dô suru?', in Yamazaki Taku, *Ajia Taiheiyô Jidai*, p. 177.

²⁰Itô Shigeru, 'Kao no nai Nihon: henjô shi, sekkyoku gaikô no tenkan o', *Gekkan Shakaitô*, no. 494, June 1996, pp. 8-9 (Author's translation).

²¹Tanabe Makoto, 'Nicchô kankei no atarashii juritsu: yatô gaikô no rekishiteki seika', *Gekkan Shakaitô*, no. 421, December 1990, p. 131; Satô Katsumi, 'Nihon Shakaitô to Kitachôsen to no yuchaku', *Gekkan Jiyû Minshu*, no. 441, December 1989, p. 54.

But the greatest restraint on the SDP influence in the policy-making process towards North Korea is simply the party's recent decline in political power. Defections from the SDP to the DPJ prior to the House of Representatives elections of October 1996 were one cause of decline, and this situation was then compounded by the disastrous results for the SDP in the elections themselves. The elections confirmed the SDP's loss of its position as the chief opposition party in Japan, and the SDP was left with a mere fifteen seats, compared with one hundred and forty at the time of the Kanemaru-LDP-JSP mission to North Korea in September 1990. The humiliation of the election was later rammed home by the decision in January 1997 of some senior figures of the SDP in the House of Councillors led by Kubo Wataru to break away from the party. As a result of these setbacks, the SDP's influence on domestic and foreign policy in Japan has been broken and is unlikely to return soon. The North Korean government recognises this, and in recent approaches to the Japanese government it has targeted LDP politicians such as Katô Kôichi instead of traditional allies in the SDP. The SDP may retain some influence because of the need for its votes to give the LDP government a working majority, but this is likely to provide the SDP only with the negative influence to obstruct the policy-making process, rather than with a positive input to suggest new moves towards improved ties with North Korea. The SDP also still retains some role in the process due to its close ties with the North Korean community in Japan. But now that its influence has been negated, for the present at least the SDP looks incapable of stopping the drift seen in LDP policy towards a concentration on the military and alliance aspects of the North Korean security problem.

Sakigake

The Sakigake in cooperation with the LDP and SDP has been the other mainstream political party involved with Japan-North Korea relations. Takemura Masayoshi, the dovish former leader of the Sakigake, during his time as an LDP Diet member

was a clear supporter of improved relations between the two countries, and visited North Korea twice in September 1990 as part of the team to arrange the Kanemaru mission. Also, as has been seen, the Sakigake took part in the three-party coalition mission to North Korea in March 1996 intended to seek a dialogue for the resumption of normalisation talks, and was to be part of the planned but aborted visit to South Korea in March 1996 as a preliminary stage in mounting another mission to North Korea later in the same year. The Sakigake's party posture remains committed to greater political and economic engagement with North Korea and so can be placed high on this scale on the policy-making matrix. But similar to the SDP, the Sakigake's influence on the policy-making process itself has been greatly diminished since mid-1996. Defections from the Sakigake to the DPJ in September 1996 first sapped the strength of the party, and these problems were then compounded by the Sakigake's near total obliteration in the House of Representatives elections the next month. From thirteen House of Representatives seats in 1993, the Sakigake was reduced to two by the end of 1996. While the Sakigake still retains three seats in the House of Councillors and has plans to restructure, and like the SDP is working outside the government on some key issues of administrative reform, its influence over the policy-making process with regard to North Korea for the time-being at least, will be minimal, and no impetus for improved relations or economic engagement can be expected from this direction.

Democratic Party of Japan

As the main beneficiary of the SDP's and Sakigake's decline in political influence, the DPJ may be able to substitute for them in the policy-making process and provide some momentum for improved Japan-North Korea relations. Newly founded by defectors from the SDP and Sakigake, the DPJ's policy line on North Korea remains unclear. But it is perhaps significant that the DPJ's joint leaders, Hatoyama Yukio and Kan Naoto, both visited North Korea in March 1995 as

representatives of the Sakigake in the three-party coalition mission. The suggestion that the DPJ leadership may be sympathetic to greater political and economic engagement with North Korea is also supported by Kan's statements in the House of Representatives Standing Committee on Security, when as a Sakigake member in 1995 he expressed hopes for moves towards an early normalisation of relations with North Korea and that the KEDO project should proceed smoothly.²² During the election campaign of October 1996, Hatoyama made statements calling for Japan to make unequivocal apologies and recompense for its colonial rule, which hints that the DPJ's attitude may be more flexible than that of the LDP with regard to the issue of compensation for North Korea. The North Korean community in Japan also has expectations that the DPJ leadership could provide the breakthrough in Japan-North Korea relations.²³

The DPJ may, therefore, form a potential new source of support within the Japanese political establishment for the promotion of Japan-North Korea relations and a soft-landing policy. But how far the DPJ can arrest the drift in the policy-making process is doubtful. Following the elections of 1996, the DPJ managed to consolidate its position as the number two and main centrist opposition party by retaining around fifty seats. But the DPJ still remains small compared to the LDP and NFP, and has chosen to remain outside the government by rejecting LDP overtures for cooperation with the government. In addition to the limitations of its political power over the policy-making process, the extent and direction of the DPJ's impact on security and foreign policy in the case of North Korea also has to be tempered by the knowledge that up until now the DPJ has outlined a very cautious line on security policy. Hence, the DPJ leadership has shown itself as keen to strengthen the US-Japan alliance, by supporting the Joint Declaration of April 1996 and the continued presence of the US military on Okinawa. For the DPJ as for the LDP, then, the chief priority in security matters is to ensure that the US-Japan security system is preserved, and as long as this priority remains, the DPJ is

²²*Kokkai. Shûgiin, Anzen Hoshô Inkaigiroku*, 17 February 1995, no. 3, p. 10.

²³Interview at the Chôsensôren, Tôkyô, 21 November 1996.

likely to support US policy with regard to a contingency on the Korean Peninsula and to spend less energy on the problem of North Korea. Thus, North Korea may have a possible friend in the DPJ, but as yet it is not one which is capable of or willing to push for new initiatives on engagement with North Korea.

Japan Communist Party

Of all the main political parties, the policy of the JCP towards North Korea is the least easy to fathom. Resurgence in support for the party following the October 1996 elections means that even though it remains in implacable opposition to the LDP outside the government, the JCP should have strengthened its voice on issues of foreign policy and security. But with regard to the problem of North Korea, the JCP's policy remains unclear with only limited policy pronouncements. Moreover, the general indication from the JCP's past policy towards North Korea is that if it takes an active interest in North Korea at all, then it is unlikely to expend any political capital on the cause of improved ties and engagement with North Korea. To some degree the JCP is forced to support North Korea against what it sees as the extension of US imperialism in the Asia-Pacific region and the Korean Peninsula through the mechanism of the US-Japan and US-ROK security alliances.²⁴ The JCP criticised US policy during the nuclear crisis of 1994 as a pretext to exert dominance over the Korean Peninsula and to further entangle Japan in the US alliance system.²⁵ During and since the nuclear crisis, the JCP has criticised the US and Japan for planning for a contingency on the Korean Peninsula, and has been especially reproachful of the US-Japan Joint Declaration and the Japanese government's promise to review the 1978 Guidelines for US-Japan Defence Cooperation, which are discussed later in this chapter. But at the same time that the JCP has attacked the military security policy of the US and Japan

²⁴For examples of JCP criticism of the US-Japan security system and the Nye Initiative, see Matsutake Nobuyuki, 'Anpo saiteigi no shôtotsu to kiken', *Zenei*, no. 664, October 1995, pp. 14-23; Miura Kazuo, 'Bei Ajia Taiheiyô senryaku ni shintenkaï', *Zenei*, no. 665, November 1995, pp. 13-25.

²⁵*Akahata*, 8 April 1994, p. 2.

towards North Korea, it has been reluctant to argue for an alternative policy of engagement similar to that which has been seen to emerge among sections of opinion in other Japanese political parties. The reason for this can probably be ascribed to the fact that relations between the JCP and KWP have been poor, if not outright hostile, since the 1950's, and the JCP feels itself unable to be seen to support in any way a regime that it has denounced for the last forty years. In this situation of the JCP being unable to condemn completely North Korea because it might imply support for US military policy, but also being unable to defend the North for reasons of political ideology, the JCP seems to have chosen to remain largely silent on the subject, and other related issues such as KEDO and rice aid. North Korea can then expect little assistance from the JCP in promoting a policy of Japan-North Korea economic or political engagement.

New Frontier Party

Although the NFP was formed and functions as the main opposition party to the LDP, it is clear that--reflecting the original LDP background of many of its senior members-- the NFP displays the same diversity of conservative opinion as the LDP on many policy issues, and this includes the approach to security policy and North Korea. As noted earlier, a number of former LDP members who classify themselves as 'dovish' in security issues defected to the Sakigake or the NFP. Diet members such as Ishii Hajime, comprise a small minority in the NFP, which even after changing party affiliations to the NFP continues to argue that North Korea poses virtually no threat to Japanese security, and which wants to see the furthering of political and economic contacts with the North to help stabilise it.²⁶

At the other extreme of the NFP are those Diet members who argue, in even more open terms than their counterparts on the right of the LDP, that North Korea constitutes a serious military threat to Japan, and that Japan should take appropriate steps to strengthen its defence against North Korea to deal with the ballistic missile

²⁶Interview with NFP House of Representatives Diet member, Tōkyō, 12 November 1996.

and low-intensity warfare threats. These members tend to be close to the current leader of the NFP Ozawa Ichirō, who in the past has indicated that North Korea is a military threat to Japan sufficient to justify the dispatch of the SDF overseas. In perhaps one of his looser but most revealing comments, Ozawa was reported on a visit to South Korea in September 1993 as tensions were building up to the nuclear crisis of the following year to have stated that:

If it looks as if North Korea will cause problems, Japan, the US, and South Korea can band together and deal with the problem within the framework of the UN. Of course, Japan will not dispatch troops independently, but as a member of the UN and with the approval of South Korea.²⁷

For Ozawa, then, a crisis on the Korean Peninsula provoked by North Korea would be one instance whereby Japan could fulfill its responsibilities to the international community as a 'normal' country by the dispatch of troops to UN operations in conflict situation.

Other lawmakers in the NFP support Ozawa's perception of North Korea as a significant military threat to Northeast Asian and Japanese security, even if they are less forthcoming about the need for Japanese intervention in a Korean Peninsula crisis by the sending of troops.²⁸ One example of this type of view is a private policy paper drafted by Aichi Kazuo, a former Director General of the Defence Agency and the current chairman of the NFP's Dietmen's League on Security. The paper is modeled on the Japanese government's new National Defence Policy Outline of 1996, and states in reference to the general security situation in the post-Cold War period that:

In East Asia there are a number of potential sources of instability, and amongst these the most serious is the Korean Peninsula. In particular, the greatest cause of the prolongation of Cold-War style tensions is the behaviour of North Korea.²⁹

The paper goes on to note that despite the creation of KEDO, concerns about North Korea's nuclear programme still exist, and that the North Korean ballistic missile

²⁷*Asahi Shimbun*, 23 September 1993, p. 2 [Author's translation].

²⁸Interview with NFP House of Councillors Diet member, Tōkyō, 7 November 1996.

²⁹Aichi Kazuo, *Shinseiki ni Muketa Anzen Hoshō Seisaku Taikō: Atarashii Anzen Hoshō to Bōei no Kangaekata*, Tōkyō, 1995, p. 6.

programme is a threat to stability in the region. The paper also emphasises concerns about the collapse of North Korea affecting Japan's security, and that in the event of crisis on the Korean Peninsula, the US-Japan security alliance would be faced by military and political challenges for which it is not yet prepared.

In Aichi's view, the security problems posed by North Korea are seen as a major test not only of Japan's independent defence capabilities, but also of the security relationship with the US.³⁰ LDP concerns about the pressure that a crisis generated by North Korea might place on the US-Japan security relationship have already been examined, and it is clear that figures in the NFP such as Aichi share these concerns and see such pressure as the necessary occasion for the strengthening of the alliance. For example, during a discussion with LDP and SDP members in July 1996, Aichi was involved in the following exchange:

Moderator:

In the event of an armed conflict occurring between North and South Korea on the Korean Peninsula, under the terms of the US-Japan security treaty and before the dispatch of US forces from bases in Japan, there should be consultations between Japan and the US. In this situation do you think that Japan can say 'no' to the dispatch of US troops?

Aichi:

Japan has to answer 'yes'. The US-Japan security treaty functions for stability in the Far East because of the belief that the US's forces can move freely in times of crisis, and this gives them a deterrent value for stability in the surrounding region.

Moderator:

If Japan says 'yes', this will mean that Japan has entered into a state of belligerency with North Korea.

Aichi:

Even if that is so, what must receive priority is the US-Japan alliance. The arena of international relations is not always a peaceful one, and it is necessary to comprehend this reality by facing it head on.³¹

Ozawa and Aichi are possibly the most outspoken and prominent of those members of the NFP that support a more pro-active role for Japan in defence matters and identify North Korea as a clear threat to Japanese security. But interviews conducted for the purpose of this dissertation have revealed that a

³⁰Interview with Aichi Kazuo, Tōkyō, 25 November 1996.

³¹'Kyōkutō yūji de Nihon wa dō suru?', in Yamazaki Taku, *Ajia Taiheiyō Jidai*, pp. 179-80 (Author's translation).

number of other NFP members close to Ozawa also remain suspicious of North Korea's nuclear intentions, see TMD as essential to defend against the North Korea missile threat to Japan, and view recent tensions on the Korean Peninsula as demonstrating above all the need to strengthen US and Japanese security cooperation. These NFP members also tend to be less enthusiastic about the policy of engagement with North Korea. Most accept the KEDO project as one possible avenue that needs to be explored in trying to open up North Korea and to relieve tensions on the Peninsula. But at the same time, there is some dissatisfaction with the Agreed Framework of August 1994, which is seen as in part a reward for North Korea's aggressive behavior, and which is also something of a *fait accompli* by the US, that Japan as the US's ally has no other choice but to go along with.³² Moreover, many of these NFP members remain skeptical about North Korea's real will and ability to reform its economy and so question the practicability of a 'soft landing' policy.

Hence, the right-wing of the NFP can be placed high up the policy-making matrix in terms of the military threat perception of North Korea, and relatively low in terms of favouring economic engagement and a 'soft landing'. This group, while not fully representative of NFP opinion and outside the government, serves to create a political climate less conducive to engagement with North Korea, and more conducive to the treatment of North Korea as the object of military security policy, and which demonstrates the need to strengthen the US-Japan security alliance.

If the right-wing of the NFP cannot be expected to play an active role in promoting Japanese political and economic engagement with North Korea, then there is perhaps more likelihood of support for these types of policies coming from within the centre of the party. Unlike the left-wing of the party represented by such figures as Ishii, the centre of the party has had and continues to have influential leaders of national stature. The most notable example of this was the presence in the party of Hata Tsutomu, who as Foreign Minister and then as Prime Minister during

³²Interview with NFP House of Representatives member, Tōkyō, 1 November 1996.

the nuclear crisis demonstrated a less hard-line policy towards North Korea. In addition to Hata, another former Prime Minister Hosokawa Morihiro has shown moderate views on security and is seen by the likes of the North Korean community in Japan as a possible supporter of economic engagement with North Korea.

However, the influence of the centre of the party over NFP policy as a whole is increasingly doubtful. Hosokawa's consideration of leaving the NFP before the October 1996 elections and subsequent involvement in allegations of illegal campaign contributions, and Hata's actual decision to leave the NFP in December 1996 to form the Taiyô Party means that the centre of the party is becoming weakened and marginalised in the debate over security. Furthermore, even supposing that the centre of the NFP is sympathetic to a policy of enhanced engagement with North Korea, it is also apparent that, like the LDP and right of the NFP, the priority in security policy is placed upon the preservation of the US-Japan alliance and good relations with South Korea, and that as long as North Korea looks to threaten these then there will be no moves to improve ties with the North from the centre of the NFP. Thus, once again the realities of domestic politics and alliance relationships mean that any movement to close the gap between the conception of North Korea as an economic problem and the actual laying out of a security policy based on this premise is likely to elude Japanese politicians.

The above analysis of the attitudes of the main political parties towards the North Korea security problem has revealed that for a variety of reasons, there is no individual politician or major group in a political party willing to push for improved relations with North Korea at the present time, and that most see Japan's priorities as lying with the maintenance of good relations with South Korea and the US. Given this situation, little momentum is likely to be generated by the politicians for initiatives to mobilise Japanese economic power to deal with the problems of North Korea. Instead the importance given to the alliance with the US, and especially by

the LDP as the party in power, means that military alliance aspects of the North Korean security problem remain the focus of the political parties' attention.

Having examined the obstacles in the policy-making process amongst the politicians concerning the use of economic power and the North Korean security problem, analysis will now shift to the bureaucracy to see in what direction its various elements are pushing Japanese policy.

THE BUREAUCRACY

Ministry of Foreign Affairs

The role of the MOFA in shaping Japanese policy towards North Korea is crucial as it supervises the Japanese government's bilateral dealings with North Korea in the areas of diplomatic relations, economic cooperation, and security policy. Moreover, the MOFA is responsible for coordinating Japanese policy towards North Korea within the broader framework of Japan-US and Japan-South Korea relations. The sections of the MOFA involved with the North Korean security problem include the Northeast Asian Affairs Bureau of the Asia Affairs Bureau; the National Security Policy Division of the Foreign Policy Bureau; and the Japan-US Security Treaty Division of the North American Affairs Bureau. As already explained in chapter four, the MOFA has come to articulate an official Japanese policy towards North Korea which supports the conception of North Korea as increasingly a problem originating in concerns of economic security, and that can be dealt with in theory by the application of economic power. The MOFA has consistently backed the US's 'soft landing' policy not just in its rhetoric, but also by government action in support of KEDO and the provision of rice aid in mid-1995. In addition, despite the difficult nature of the problem and bitter past experience, the MOFA has continued to look for improved relations with North Korea as a possible start for the resumption of normalisation talks, and this has

been shown by the periodic contacts between MOFA officials and North Korean officials in Beijing since the beginning of 1996.³³

The MOFA's policy towards North Korea, therefore, in line with that of its US counterpart, the Department of State, remains as basically one of diplomatic and economic engagement. But in a fashion similar to the politicians, there are factors, both parochial and international, which have placed constraints on the level to which the MOFA feels that it can sponsor engagement with North Korea. In turn, these mean that at the same time as there is a drift towards an engagement policy, for the MOFA there is also a much stronger compunction to take greater action in response to the military rather than economic aspects of the North Korean security problem.

The first of the parochial factors which restrains MOFA policy is the knowledge, which is also shared by the politicians, that North Korea is a problem which involves high political risk and damage to careers and the status of organisations. The MOFA in the past has been described as having developed an 'allergy' in dealing with North Korea after being humiliated by what it sees as North Korean dirty tricks and undiplomatic behaviour in the past.³⁴ The LDP-JSP mission to North Korea in September 1990 not only contributed to the ruining of Kanemaru's reputation, but it also drew criticism upon the MOFA for not acting to prevent Kanemaru from making concessions on the compensation issue.³⁵ Conscious of this experience, the MOFA seems to have become even more wary in its dealings with North Korea and the hazards of engagement. In addition to these concerns, in private MOFA officials remain skeptical about the real chances for a 'soft landing' for the North Korean economy. For some, the preferred description of the policy is one of a 'controlled crash' designed to avoid the precipitation of conflict on the Peninsula, and while they are prepared to forge a policy for Japan to make as great a contribution as it can in an attempt to halt the decline of the North

³³Interview with MOFA official, Tôkyô, 4 December 1996; *Asahi Shimbun*, 21 December 1996, p. 7.

³⁴Ishii Hajime, *Chikazuita Tôi Kuni*, p. 59.

³⁵Interview with MOFA official, Tôkyô, 14 October 1996.

Korean economy, they see real limitations in Japan's power to do so.³⁶ MOFA officials realise that the political basis of the support in Japan for providing North Korea with significant amounts of aid and economic cooperation, and especially in advance of the achievement of the normalisation of diplomatic relations, is in practice very limited. They also argue that even in cases where aid can be seen as for humanitarian causes, such as the rice aid for North Korea in 1995, this type of aid cannot continue indefinitely as it creates a dependency relationship, and because North Korea is not prepared to rectify the structural problems in its agricultural sector that created the food shortages in the first place. Added to doubts about whether or not it is effective to use Japan's economic power to aid an economy that refuses or is incapable of reform, the MOFA also stresses that ultimately even Japan's economic power is limited, and that the only way for a guaranteed 'soft landing' is for the growth of true economic and political cooperation between North and South Korea. As one official remarked, 'there is only one country on this earth that can save North Korea economically, and that is South Korea.'³⁷

The MOFA, then, sees domestic political and economic resource restraints on Japan's power to help resolve the North Korean security problem by means of economic power. The military and alliance-politics aspects of the North Korean security problem have also intensified these restraints for the MOFA. One of the key concerns of the MOFA throughout its dealings with North Korea has been to avoid the alienation of South Korea. For Japan and the MOFA, the importance of the relationship with the South far outweighs that with North Korea, and in official statements and interviews MOFA bureaucrats have made it apparent that they will do nothing to harm bilateral relations with South Korea. Hence, even though the MOFA has maintained the position that its expressed support for the four-way peace talks initiative of April 1996 does not necessarily bar Japan from seeking normalisation talks with North Korea, in practice the MOFA will not move towards

³⁶Interview with MOFA official, Tôkyô, 27 November 1996.

³⁷Interview with MOFA official, Tôkyô, 3 December 1996.

any engagement with North Korea until there is some progress in North-South dialogue, and the conditions for Japan-North Korea dialogue are created that will not be seen to damage Japan-South Korea relations.

The other major factor that limits the extent of the MOFA's willingness to increase the level of political and economic engagement with North Korea is the US-Japan alliance. Conformity with and reliance upon US leadership in the 'soft landing' policy means that the MOFA is only prepared to move at the same pace as the US State Department in its policy towards North Korea, which at present means only a gradual inching towards engagement. But more than just following the US lead on engagement, the priority for the MOFA in its security policy with regard to North Korea is, in the same way as the LDP, to repair the damage and rectify the shortcomings in the US-Japan alliance that were indicated by the North Korean nuclear crisis. As explained earlier, the North Korean nuclear crisis, followed by problems over the US bases in Okinawa, showed up both the military and political deficiencies of the alliance, and became the occasion for the LDP to begin to investigate ways to strengthen the security relationship with the US in the post-Cold War era. In much the same way, a mix of genuine military necessity and political concerns about the future of the alliance have convinced the MOFA to also push for a strengthened security partnership with the US in response to the problems initially revealed by North Korea. The end results of these moves for Japanese security policy will be discussed later in this chapter, but it is important to note here that the connection between the problem of North Korea and alliance-politics has meant that the military and alliance aspects of the North Korean security problem have acquired a greater impetus in the policy-making process than its economic aspects. Hence, in much the same way as the politicians, the MOFA, whilst recognising the importance of economic power in dealing with North Korea and taking some steps to support security policy in this direction, has been persuaded by the difficulties of engagement to limit at present efforts in this

direction, and instead to throw its energies into the restructuring of the US-Japan alliance.

Defence Agency and Self Defence Forces

The Defence Agency and the SDF are clearly junior to the MOFA in the devising of security policy, but as the bodies responsible for the administration and execution of Japan's defence policy the input of these organisations into the policy-making process is important; and the role of the Defence Agency in the process has been consolidated since late 1995 with the holding of 'two plus four' talks in the SACO (Special Action Committee on Okinawa) forum which includes the Defence Agency, the MOFA, the US Department of State and the US Department of Defence.

Regarding the security problems posed by North Korea, the Defence Agency and SDF favour a policy of engagement and a 'soft landing' as the best available option to deal with what both organisations see as a source of insecurity in Northeast Asia originating in the deterioration of the North Korean economy.³⁸ However, like the MOFA and the main political parties, it is also difficult for the Defence Agency and the SDF to separate engagement policy from the military and alliance-politics aspects of the North Korean security problem. As a result, the issue of North Korea has become one of the causes of and premises for efforts by the Defence Agency and SDF to rebuild Japanese defence policy in the post-Cold War era.

The extent of the potential military threat posed to Japan by North Korea as evaluated by the Defence Agency has already been outlined in chapter four, and was seen to consist of the problems of the North's nuclear programme and nuclear proliferation, the development of ballistic missiles, and the North's other low intensity warfare capabilities such as its guerrilla forces and history of support for terrorism. In addition, there is concern in the Defence Agency and SDF over the

³⁸Interview with Defence Agency official, Tōkyō, 14 November 1996; interview with member of SDF Defence Planning staff, Tōkyō, 22 November 1996.

effects that an implosion of North Korea could have upon Japan's security due the occurrence of refugee flows. It is clear from discussion with officials from both bodies, that despite all these hazards North Korea is seen to pose less of a threat to Japanese security over the long term than the looming problem of China's updating and expansion of its armed forces. But it is true to say that for the Defence Agency and the SDF, as for the MOFA, LDP, and NFP, concerns about the potential threat from North Korea to Japan at a time of increased difficulties in the US-Japan security relationship, have caused both to see a genuine military necessity to take steps to improve Japan's own individual defence capabilities and the US-Japan alliance.

To improve Japan's own defences to deal with the types of threat phenomena believed possible with the implosion or explosion of North Korea, both the Defence Agency and SDF are in favour unofficially of the creation of the type of *yūji hōsei* proposed by the LDP's Kajiyama, and which since May 1996 has been under research by the Prime Minister's Cabinet Research Office.³⁹ But even more importantly, the Defence Agency and SDF have pushed for new steps to increase support for US forces in the event of a contingency in the Far East as way to respond to some of the military deficiencies indicated in the alliance by the North Korean nuclear crisis, but also at the same time to reconfirm the political security relationship between the two countries in the post-Cold War period. To some degree, this desire is motivated by the potential threat posed by North Korea, but, as some SDF officers will admit in private, neither the Defence Agency nor the SDF are above using the problem of North Korea as an opportunity to strengthen the US-Japan alliance in preparation for other larger security problems in the future.

The end result of this urge to strengthen the alliance in response to the problems posed by North Korea will be examined in detail later in this chapter. The chief point to be made here in regard to the direction of the policy-making process, though, is that whilst the Defence Agency and SDF are not concerned to block

³⁹Interview with member of SDF Defence Planning staff, Tōkyō, 22 November 1996.

moves towards greater economic engagement with North Korea, it is obvious that they are another force adding impetus towards further concentration on the military aspects of the North Korean security problem.

Ministry of International Trade and Industry

MITI is not concerned directly with the day-to-day making of Japanese security policy, but chapter five has demonstrated that MITI's role in the mobilisation of Japanese investment and the sponsorship of trade has been vital in the past within a broader definition of Japanese security by contributing to the exercise of Japanese economic power. Thus, MITI's role will also be crucial in any attempt by Japan to engage North Korea economically.

MITI certainly played a key role in providing the backing for the expansion of Japan-North Korea economic relations in the 1970's. If it is possible to revive these relations in the 1990's, then the expectation of scholars and the North Korean community in Japan at least, is that MITI's active support is indispensable to the promotion of trade by the restarting of export credits and the provision of information to potential investors.⁴⁰ MITI has begun to play a role in the limited beginnings of Japanese economic engagement of North Korea through its joint management with the MOFA of Japan's participation in the KEDO project. But as with the other ministries, there are limits to how far MITI is willing to contribute to the expansion of Japanese trade and investment in North Korea. MITI, in the same way as the MOFA, has unpleasant memories of dealing with North Korea, including being forced to pay out compensation to Japanese trading companies for North Korea's failure to meet its debt repayments. MITI's suspicion of the North and caution about being humiliated again has been reinforced by its responsibility for the supervision of COCOM procedures and the prevention of the export of items from Japan to North Korea that have a military function.⁴¹ MITI is aware that

⁴⁰Interview at Chōsensōren, Tōkyō, 21 November 1996; interview with leading Japanese scholar, Tōkyō, 7 November 1996.

⁴¹For instance in 1996 details were released which demonstrated that North Korea may have obtained some vital components for its nuclear programme from Japan: Tamaki Motoi,

the mistaken granting of an export licence could have political repercussions for the ministry as well as for Japanese security as a whole. Hence, to avoid such embarrassments, MITI has desisted from actively encouraging Japanese companies to prepare for the day that relations with North Korea might allow for an expansion of Japanese investment in the North.

In addition to the above reasons of ministerial pride and prejudice, MITI also appears to feel that there are very few sound commercial reasons to make it worthwhile to encourage investment in the North. The task of MITI is to ensure the safe and profitable expansion of Japan's trade with the rest of the world, and MITI seems unconvinced that trade with North Korea can yet meet any of these criteria. MITI shares the anxieties of businessmen as to whether the North Korean economy is capable of stabilising and reforming itself. Thus, whilst MITI clearly would like to see the KEDO project succeed and the North Korean economy begin to recover as a boon to Japanese and Northeast Asian security, it is even more skeptical than the MOFA over the chances of success. As one MITI official remarked concerning this issue:

We want the project to go ahead and to be a success. It will certainly be of major benefit to the North Korean economy. However, the real question is whether or not North Korea will collapse before the KEDO LWR's are completed.⁴²

This mix of hard-headed economic realism and apprehension about too deep an involvement in North Korean affairs, means that MITI is also unlikely to encourage moves towards economic engagement between Japan and North Korea. MITI realises the value of North Korean economic reform as a solution to its debt problem with Japan, but this type of reform and efforts to deal with debts will not occur until there is an expansion of trade between the two countries. But this in turn is dependent on MITI's granting of export licences and credits, and this will not happen until there are signs of a move towards the normalisation of Japan-North Korea relations. Hence, although it will continue to monitor the

Kitachōsen Hakyoku e no Michi: Chuchegata Shakaishugi no Byōri, Tōkyō, Yomiuri Shimbunsha, 1996, pp. 282-97

⁴²Interview with MITI official, Tōkyō, 22 October 1996.

opportunities for trade and investment in the North through the information gathered by JETRO, MITI will wait for a political solution to the North Korea security problem before it takes any steps to deal with the economic aspects of the problem. MITI's non-participation in the policy-making process towards North Korea has the end result that the drift towards dealing with the military instead of the economic aspects of the problem will be further accentuated.

BUSINESS INTERESTS

As chapters three and five have demonstrated, the third major policy-making actor in Japan is big business, and it is clear that the active participation of the Japanese business community is the key to the mobilisation of indirect economic power in any attempt by Japan as a global civilian power to engage North Korea economically for the security purposes.

Historically, the Japanese business community has played a crucial role in preparing the ground for the Japanese government's political and economic engagement of neighbouring countries with which relations have been traditionally difficult. The most notable example of this is Japanese business efforts in the 1960's and 1970's, often with the silent backing of the government, to pioneer relations with China at a time when it still remained closed to the West. The leadership of the Japanese business community took the initiative in the promotion of Sino-Japanese ties well before the normalisation of diplomatic relations in September 1972 by trade with mainland China via Hong Kong. Thereafter, the business community continued to push for improved economic ties, as shown by the signing in February 1978 of a US \$20 billion Long Term Trade Agreement between the vice-President of the Keidanren, Inayama Yoshihiro, and the Chinese vice-minister for trade, Li Xiwen. The Japanese business community's lead was then followed by the Japanese government, when in September of the same year, the MITI minister, Kômoto Toshio, and the Chinese vice Premier, Li Xiannan,

extended the agreement until 1990 and increased its worth to US \$60 billion.⁴³ This partnership between Japanese private business and the government was made possible because of the *seikei bunri*, or separation of politics and economics, approach of policy-makers. This policy meant that despite the perceived risks of investment in China at the time, Japanese businesses were able to overcome such difficulties as the Baoshan Iron and Steel fiasco in 1981, when China canceled arbitrarily a major investment project by Japanese firms in China, and went on to establish the beginnings of an interdependent economic relationship between Japan and China. Moreover, this economic relationship has had both political and security benefits for Sino-Japanese relations.

This 'private diplomacy' by Japanese businessmen was also important for the improvement of diplomatic relations between Japan and South Korea in the 1960's. Kimura Masato has demonstrated how between 1960 and 1965, representatives from the subsidiaries of major Japanese corporations located in the Kansai region of Japan visited South Korea regularly, and pressured the Japanese government to move towards the normalisation of relations with the South.⁴⁴ The Basic Treaty of 1965 and the eventual achievement of normalisation between Japan and South Korea, then, can in part be attributed to the influence of the business community within the policy-making process.

Also with regard to Japan-North Korea relations in the 1970's, it looked very much as if they could have followed the same pattern as Japan's relations with China and North Korea as outlined above. The Japanese business community in the case of North Korea also began to open up the North by trading through Hong Kong and then by direct investment in the North itself in the 1970's. However, as explained in chapter four, by the late 1970's this process had come to a halt due to

⁴³Chalmers Johnson, 'Patterns of Japanese relations with China, 1952-1982', in Chalmers Johnson, *Japan: Who Governs?*, p. 250, Ogata Sadako, 'The business community and Japanese foreign policy: normalization of relations with the People's Republic of China', in Robert Scalapino (ed.), *The Foreign Policy of Modern Japan*, Berkeley, California: University of California Press, 1989, pp. 175-203.

⁴⁴Kimura Masato, 'Nihon no taikan minkan keizai gaikō: seijōka o meguru Kansai zaikai no ugoki', *Kokusai Seiji*, vol. 92, October 1989, pp. 116-31.

North Korea's default on debt repayments, and unlike the Sino-Japanese trade in the early 1980's and the Baoshan shock, Japan-North Korea economic links have never recovered from the initial breach of trust by North Korea. Chapter four has already shown how Japan-North Korea trade has become increasingly 'Koreanised', and that up until the present day, Japanese investment in the North's Rajin-Sonbong economic zone has been minimal.

The past examples of China, South Korea, and even North Korea in the 1970's, prove that the Japanese business community's role in any kind of attempt to engage North Korea in the 1990's is vital and can have benefits for security. But the lack of investment and economic links with North Korea at present suggests that the business community is choosing not to fulfill this role, and it is apparent that, as with the other elements in the policy-making process examined so far, the business community sees major obstacles to the economic engagement of North Korea. These obstacles will be examined next.

Few in the Japanese business community it seems would deny the potential benefits for security in Northeast Asia of the opening of North Korea and its integration into the region economically. Thus, the business community can be placed high on the policy-making matrix in terms of its hopes for a 'soft landing' for North Korea. Furthermore, it is clear that the business community is not unaware of the investment opportunities in North Korea and is continuing to study the problem in depth. The Keidanren, for example, held a symposium in August 1993 concerning investment opportunities in the TRDAP, and continues to accept trade delegations from North Korea.⁴⁵ Kadota Hiroshi, the Director of Asian Affairs at the Keidanren, visited North Korea in November 1995. In Tōkyō in July 1996, Masaya Miyoshi, the Secretary General of the Keidanren, met with Kim Jong-U, the vice-chairman of North Korea's External Economic Affairs Commission and the official responsible for the promotion of the Rajin-Sonbong economic zone.⁴⁶ Japanese companies also visited the Rajin-Sonbong investment

⁴⁵Tōmonkō seminā o kaisai', *Keidanren Shūhō*, no. 2177, 27 September 1993, pp. 2-3.

⁴⁶*Korea Times*, 3 July 1996, p. 5.

forum of September 1996 (although in small numbers) to monitor the progress of the zone and North Korean economic reforms. But as described in chapter five, no investments from a non-Chôsensôren-linked Japanese company were forthcoming, and the impression is that Japanese companies have remained on the sidelines gathering information on the Rajin-Sonbong zone, but are not yet prepared to commit themselves until the zone proves a success.

The reasons for the reluctance of Japanese companies to invest in the production system of North Korea and to expand the existing level of trade are easily understandable, and include both political and economic considerations. The problems of conducting business in North Korea are obvious--the socialist bureaucracy is heavier and more rigid than in other countries; energy supplies are unreliable, obtaining suitable raw materials and parts is difficult; and the labour supply, while perhaps well disciplined, is not significantly cheaper than in investment zones in other countries. In addition, the debt problems of North Korea have given it the image of an unreliable economic partner, and most businessmen remark that North Korea has yet to understand even the most basic of international business practices and how to attract investment.⁴⁷

All the above drawbacks could perhaps be forgiven if it was the case that businessmen saw a greater long-term commercial incentive to invest in North Korea. In 1981, Japanese businessmen involved in business dealings with China were reported to have remarked in terms very similar to those used by businessmen about North Korea today that, 'their [the Chinese] sheer ignorance of international practices and rules is amazing'.⁴⁸ However, in the case of China the incentives to invest and overcome these problems for Japanese business have been much greater than the incentives in North Korea, attracted as they are by the sheer size of the Chinese market. The Chinese market of hundreds of millions of potential consumers contrasts strongly with that of North Korea's market of a mere twenty million. Moreover, Japanese businessmen have been convinced from an early stage

⁴⁷Interview with Asahi Shimbun journalist, Tôkyô, 15 November 1996.

⁴⁸Chalmers Johnson, 'Patterns of Japanese relations with China, 1952-1982', p. 254.

that China's economic reforms would spread from the SEZ's to penetrate the whole country, so promoting access to the national market, whereas North Korea has made it clear that it has no further plans as yet to open its market beyond the boundaries of Rajin-Sonbong. The North Korean market is, then, far from irresistible for Japanese private business interests, and it is clear that they also have doubts about the viability of the larger regional project of the TRDAP and the Sea of Japan Rim economic zone. Even though businessmen acknowledge the political and security benefits of the economic development of the region, again they doubt the potential size of the market. As one Keidanren official remarked:

The people of the three areas [in the TRDAP scheme] of China, Russia, and North Korea are basically some of the poorest in Northeast Asia. I really do not want to put down the people of the Sea of Japan side of Japan, but in fact they are also rather poor relative to the rest of Japan. Therefore, looking at the TRDAP and the Sea of Japan economic zone, its economic attractions are at present limited. After all, when poor people get together to do business, it does not really amount to much of a market.⁴⁹

The economic and business disincentives for Japanese private business to expand relations with North Korea are also reinforced by political problems. Investors from Japan question the internal stability of the North Korean regime, and the wisdom of investing in a state which has become embroiled in a series of security crises. The biggest political problem, though, is the lack of normalised relations between Japan and North Korea. Unlike the experience of China and South Korea in the 1960's and 1970's, the normalisation of Japanese ties with North Korea still appears to be a distant possibility, and there is no support from the Japanese government for a *seikei bunri* approach to allow private companies to act to prepare the ground for the improvement of relations with North Korea. In the case of North Korea, it is hard for there to be an effective separation of politics and economics, due to the series of security crises on the Korean Peninsula and the question of Japan's imposition of economic sanctions. This is also because of the attitude of the South Korean government which insists on no major Japanese

⁴⁹Interview with Keidanren official, Tōkyō, 15 October 1996.

economic cooperation with North Korea until after the normalisation, which is in turn dependent upon the progress of North-South dialogue. Hence in this situation, the Japanese government has trouble following a *seikei bunri* approach to North Korea, and feels unable and unwilling to support Japanese business. This rules out for the time being any kind of partnership between business and government to make a start to improve relations with North Korea, and strangles at birth efforts to enhance security in the region by the growth of some form of economic interdependency between Japan and North Korea.

The end result is a type of vicious circle which puts limits on the mobilisation of Japan's indirect economic power to deal with the North Korean security problem. Japanese corporations will not move to invest in North Korea until they see some kind of backing from the government to create a more stable political environment and to help deal with problems such as North Korea's outstanding debts to Japanese businesses. But the Japanese government will not take any initiatives towards North Korea until it sees it as stable--something which is in part dependent on the rebuilding of its economy and Japanese investment in the first place. Hence, both the government and private business are reluctant to commit themselves to a partnership to engage North Korea economically, and each side is left waiting for the other to take some kind of initiative.

The attitude of Japanese business to the economic engagement of North Korea points out the realities of Japanese economic liberalism, or *jiyū shugi*, and that the bulk of Japan's indirect economic power is rendered useless in the service of security policy unless it can enlist the support of the *zaikai*.⁵⁰ Looking at the instance of North Korea, Japanese business can understand the utility of economic power to assist security policy in Northeast Asia, but it cannot yet see the commercial benefits for participation in such a policy. Thus in a sense private business has abdicated its role in the policy-making process with regard to North Korea, preferring instead to wait for a government initiative which may not be

⁵⁰Interview with leading Japanese economist, Tōkyō, 12 June 1996.

forthcoming. North Korea is one example in which the Japanese government needs to take a political decision to normalise relations with North Korea and to extend economic cooperation in the form of direct economic power, before Japan's indirect economic power through investment by private business can truly begin to function in the service of Japan's security. The business community's abdication of its role in the policy-making process also means that there is again one less element in the process which is willing to push for economic engagement and can counteract the drift in policy-making circles towards concentration on the military aspects of the North Korean security problem. Finally, it also punches a large hole in the theories of economic power and policy-making which see the Japanese state as able to command direct and indirect economic power at will in the service of its political and security interests. Without a true business incentive, it is clear that private corporations will never invest in a region or state even if they see wider benefits for security or even if the state bureaucracy demands it.

OTHER NON-STATE ACTORS

Having examined the main domestic policy actors, and before moving on to examine external influences on the policy-making process, it is also worth considering briefly the attitudes and inputs of some other non-state groups of policy-making opinion in Japan.

The Chôsensôren has shown itself in the past as having performed a valuable role in promoting Japan-North Korea relations by providing the money to attract the interest of leading politicians. But it is clear that since the early 1990's the influence of the Chôsensôren on the policy-making process has weakened due to its declining ability to raise funds after the collapse of the 'bubble economy'. The result has been that North Korea has started to bypass the Chôsensôren deal and to deal directly instead with LDP politicians such as Katô Kôichi. The North Korean community in Japan has then been left in something of a tragic situation, in which it

is subject to pressure from the Japanese authorities when the security situation with regard to North Korea deteriorates, but in which it also can expect little support from the home country to which it devotes so much of its resources.

The influence of the media on the policy-making process is hard to evaluate, as is the standpoint of individual media organisations. However, it is clear that there is some division among the major newspapers at least over the correct policy approach to North Korea. Although none of the main newspapers opposes engagement with North Korea, they do differ in the degree with which they favour active engagement and to which they view North Korea as a potential security threat to Japan. Reflecting its 'liberal' stance on many issues of politics and foreign policy, the *Asahi Shimbun* and its related publishing *keiretsu* seem to favour a policy towards North Korea high on engagement and low on military threat perception.⁵¹ In contrast to this, more conservative media groups such as that of the *Yomiuri Shimbun* and the *Sankei Shimbun* have lent their support to arguments in favour of Japan's strengthening its defence and the US-Japan alliance in response to the North Korea threat.⁵²

Scholarly opinion also reflects this division in the media over the desirability of the extent of engagement with North Korea. Again, as has been seen in chapter four, opinion amongst 'liberal' Japanese political scientists tends towards full political and economic engagement with North Korea as long as it continues to moderate its security behaviour after the Agreed Framework. 'Realist' opinion doubts the effectiveness of the policy of engagement with North Korea, and remains suspicious over its nuclear programme. But those scholars who unequivocally oppose engagement with North Korea are rare, and are limited to such research institutes as Gendai Koria.⁵³

The input of the media and scholars into the policy-making process is hard to gauge. As one scholar in Japan remarked, it is hard to find any country in which a

⁵¹Takesada Hideshi, 'Kitachōsen ronsō matorikkusu,' *Voice*, October 1996, p. 211.

⁵²Kitagawa Hirokazu, *Chōsen Yūji wa Aru no ka*, Tōkyō, Ryokufū, 1996, pp. 172-76; interview with *Asahi Shimbun* journalist, Tōkyō, 21 November 1996.

⁵³Interview at Gendai Koria Research Centre, Tōkyō, 30 October 1996.

non-governmental organisation can alter over the long term government policy, and Japan is no exception.⁵⁴ But if the media and scholarship cannot always actively influence the making of policy, at least as opinion leaders they can act to frame the boundaries of public debate for the government. In the case of North Korea, the input of the media and scholars may then be important in helping to crystallise a conception of North Korea as a problem of economic power and one involving the need for an engagement policy.

EXTERNAL PRESSURE

The fourth main element of the policy-making process, outside but acting upon the iron triangle of the domestic elements, is external pressure or *gaiatsu*. It is clear that Japan's relations with South Korea and the US have had a major impact upon Japan's security policy towards North Korea in both its economic and military spheres. As a problem entangled with the bilateral relationships with the US and South Korea, Japan has been unable to follow an independent strategy towards North Korea. As already explained in the section analysing the attitudes of politicians, bureaucrats, and businessmen, all these elements have come to place above all their main priority on maintaining good relations with the US and South Korea even at the cost of withholding support and policy-making energy for engagement with North Korea. This section will examine briefly how Japan's sensitivity to external pressure on the issue of North Korea has allowed the US and South Korea to exercise a major restraining influence over policy.

South Korea

Chapter four outlined how South Korean policy on engagement with North Korea has veered from active to reluctant support for the US's 'soft landing' policy

⁵⁴Interview with ERINA researcher, Tōkyō, 19 November 1996.

between the nuclear accord of 1994 and the submarine incident of September 1996. This shift in policy has been the result of both heightened tensions between the two Koreas and domestic politics within South Korea itself. Since 1990 and the start of moves to normalise relations with North Korea, Japanese policy has been structured in such a way as to link progress in Japan-North Korea relations with progress in relations between North and South Korea. This policy has come about as a combination of Japan's own foreign policy aims and demands from South Korea. Whilst the Japanese government has continued to state that its dealings with North Korea are not bound by any agreement with South Korea, in practice the Japanese government has adhered to the principle Japan-North Korea dialogue as dependent on North-South dialogue, and at successive summit meetings between Japanese and South Korean policy makers this principle has been reaffirmed, the latest being at the APEC summit of November 1996. The effective harnessing of Japanese diplomatic policy to that of South Korea in the case of North Korea, means that Japan's level of political and economic contacts with the North can only increase as far as relations with South Korea will allow. Nearly all the Japanese policy-makers interviewed in the course of research for this dissertation, even if actively in favour of expanded ties with North Korea, made it clear that Japanese policy towards North Korea has to take into account the attitude of the South Korean government.⁵⁵ Thus, South Korea at present has a near veto over the progress of Japan-North Korea relations, and this is a crucial restriction on the use of Japan's economic power in service of security policy in the case of North Korea.

⁵⁵Interview with LDP House of Representatives Diet member, Tōkyō, 4 December 1996; interview with SDP House of Representatives Diet member, Tōkyō, 20 November 1996; interview with LDP House of Councillors Diet member, Tōkyō, 7 November 1996.

The United States and the Pentagon

The alliance relationship with the US has had an even greater impact on the orientation of Japan's policy towards North Korea. As mentioned earlier, the North Korean nuclear crisis of 1994 highlighted problems in the US-Japan security alliance, and the majority of policy-makers interviewed for this dissertation made it clear that the paramount concern of Japan in dealing with North Korea should be that the North is not allowed to damage or interfere with Japan's relations with the US. Under these circumstances, the Japanese policy-making process is receptive to pressures, real or imagined, for it to conform to US policy on North Korea with regard to both military and economic aspects of the security problem.

Chapter four has explained how since the reemergence of North Korea as a major security concern in the early 1990's, US policy has often been unclear, and that it can be considered that the Clinton administration 'muddled' its way through the problem until it hit upon the policy of the 'soft landing' as the best and only peaceful means with which to resolve the North Korean problem. The basic direction of US policy toward North Korea since the nuclear agreement of October 1994 has settled upon a policy of engagement as espoused by the Department of State. It is apparent that the US will not readily abandon this policy even in the face of North Korean military provocations such as the submarine incident, and that it will cajole South Korea and persuade Japan to follow this policy. But at the same time as the Department of State's view has come to dominate overall US policy towards North Korea, it is also clear that policy-making opinion in the US is as divided as in Japan and South Korea over the practicality if not the theoretical utility of the 'soft landing' policy. Groups also exist in the US which continue to be concerned far more by what they see as a continuing military threat from North Korea to US troops in South Korea and to the wider security of the region. In addition, to the 'hawkish' elements of the US Congress which dislike the KEDO agreement and 'soft landing' approach, the Department of Defence also seems to have a different policy outlook on North Korea than the Department of State. The

US military establishment seems to continue to place equal if not more emphasis on the possibility of a North Korean explosion, and to argue for the strengthening of the US alliance systems to deter and contain this type of military threat and as an opportunity to prepare US forces in the region for other similar types of post-Cold War threats. Hence, both in response to genuine military necessity and concerns about deficiencies in the US alliance system in Northeast Asia after the Cold War, the US defence establishment has begun to move to restructure its presence on the Korean Peninsula and in the region based on the legitimacy of the North Korean threat. As one skeptical commentator has noted with regard to the nuclear issue:

The uncertainty [of the North Korean threat] has been compounded by the degree to which the crisis has itself been constituted by US security managers' needs to have an "enemy" in the post-Cold War world...It is almost as if the specter of the North Korean "nuclear menace" was summoned up to compensate for all the changes that the end of the Cold War represented so the new world might remain the same as the old one.⁵⁶

This process of legitimising US strategy in Asia based on the North Korean threat first began in October 1993, with the then US Secretary of Defence Les Aspin's *Report on the Bottom Up Review* of US global military strategy and force structure. In the report two regional scenarios were proposed for which it was thought that the US would have to maintain sufficient conventional force structures to deal with. The first of these scenarios was a contingency involving an Iraqi attack on the Gulf States, and the second involving a North Korean offensive across the DMZ on South Korea and US forces. The report concluded that the US should retain close to 100,000 troops in Northeast Asia, including the existing army and naval forces in South Korea and Japan, and the marine bases on Okinawa, in order to deal with a North Korean and any other conflict scenario in the region.⁵⁷ This report demonstrates that even before the nuclear crisis of mid-1994, the Pentagon was beginning to base its force structure, strategy, and presence in the region on a potential North Korean threat.

⁵⁶Jae-Jung Suh, 'North Korean "nuclear threat" and Cold War hangover: northern exposure or explosion?', *Bulletin of Concerned Asian Scholars*, vol. 28, no. 1, January-March 1996, p. 13.

⁵⁷Les Aspin, *Report on the Bottom-Up Review*, Washington DC, 1993, pp. 13-24.

The eventual occurrence of the North Korean nuclear crisis confirmed the US defence establishment's fears, and even after 1994 and the passing of the height of military tensions on the Korean Peninsula, it is apparent that the Pentagon has continued to base much of its military and alliance strategy in Asia on a contingency involving North Korea.⁵⁸ US demands that began during the nuclear crisis of 1994 for greater and more specific support by Japan for its forces in the event of a crisis on the Korean Peninsula have already been mentioned, and the full implications of this will be examined later in this chapter. In addition to this, the Pentagon now seems to be coming increasingly to justify the presence of its troops in Japan and the strengthening of the US-Japan alliance on the threat from North Korea.⁵⁹ The Pentagon's February 1995 report *United States Strategy for the East-Asia Pacific Region*, compiled by Joseph Nye, the then Assistant Secretary of Defence for International Security Affairs, points out a number of potential causes for instability in the region and the reasons for the US's continued military presence in South Korea and Japan. But the first potential threat which is discussed in detail is that of North Korea. Nye also attempted to draw a link--far more explicit than that of the *Bottom-Up Review*--between the need for US marine bases in Okinawa and the ability of the US to respond to a crisis on the Korean Peninsula.⁶⁰ In an interview with a Japanese newspaper in November 1995, Nye reiterated that the bases in Okinawa were essential to deal with a crisis generated by North Korea; and his obvious intention was to reestablish a legitimacy for the bases just at the time when this legitimacy was being questioned following the Okinawa rape incident.⁶¹ Other Pentagon figures such as Richard Armitage, the former US Secretary of Defence, have also pointed out the necessity of marines on Okinawa to respond to a North

⁵⁸The US Department of Defence's assessment of the North Korean threat is contained in: Defense Intelligence Agency, *North Korea: The Foundations for Military Strength*, Washington DC, 1991.

⁵⁹Tsuru Shigeto, *Nichibei Anpo Kaishô e no Michi*, Tôkyô, Iwanami Shinsho, 1996, p. 85.

⁶⁰Department of Defense, *United States Security Strategy for the East Asia-Pacific Region*, Washington DC, 1995, p. 18. For the general background to this report and a positive view of its place within US global strategy, see Shikata Toshiyuki, 'Behind the redefinition of the Japan-US security setup', *Japan Review of International Affairs*, vol. 10, no. 4, Fall 1996, pp. 291-313.

⁶¹*Yomiuri Shimbun*, 9 November 1995, p. 5.

Korean threat, and argue that as long as tensions remain on the Korean Peninsula the marines cannot be withdrawn.⁶²

These Pentagon explanations persist despite the opposition expressed to them by independent US strategists such as Mike Mochizuki and Chalmers Johnson. Mochizuki has argued that in strategic terms the marines on Okinawa could probably make very little contribution to a crisis on the Peninsula due to a lack of sufficient sea and airlift capabilities hampering their dispatch to a crisis in the area.⁶³ Against this, others argue that the marines do not possess these capabilities at present because of the wish to avoid the impression of a military build-up in Northeast Asia, and that in a crisis sufficient air and sea lift capacity could be brought in from the US mainland.⁶⁴ Chalmers Johnson has argued that the marines presence in Okinawa is unnecessary and that is merely designed to add to the 'constrainment' of China.⁶⁵ But whatever the real motive of the Pentagon and the military practicalities, it is clear that the Pentagon is determined for the marines to stay on Okinawa and that it regards them as a crucial part of the US's defence strategy in the region and to deal with a Korean Peninsula contingency caused by North Korea.

The US defence establishment's desire to maintain and strengthen the US-Japan-alliance based on the legitimacy of a North Korean threat, and the Japanese policy-making community's responsiveness to these demands at a time of concern for the future of the alliance resulting from controversy over the bases in Okinawa, means that US external pressure has exercised a powerful influence over the direction of Japanese security policy towards North Korea. The end result is again to prioritise

⁶²*Asahi Shimbun*, 14 November 1996, p. 1.

⁶³Mike Mochizuki, 'Toward a new Japan-US alliance', *Japan Quarterly*, vol. 43, no. 3, July-September 1996, p. 13.

⁶⁴Interview with MOFA official, Tōkyō, 6 December 1996.

⁶⁵Chalmers Johnson, 'Containing China: the US and Japan drift toward disaster', *Japan Quarterly*, vol. 43, no. 4, October-December 1996, pp. 10-19. Joseph Nye's defence of his *United States Security Strategy for the East-Asia Pacific Region*, can be found in: Joseph Nye, 'The case for deep engagement', *Foreign Affairs*, vol. 74, no. 4, July-August 1995, pp. 90-101. For Chalmers Johnson's counterattack in the same edition: Chalmers Johnson and E. B. Keehn, 'The Pentagon's ossified strategy', *Foreign Affairs*, vol. 74, no. 4, July-August 1995, pp. 103-114.

on the agenda of Japanese policy-makers the military aspects of the North Korean problem

To summarise the preceding analysis of the internal workings of the Japanese policy-making process, it can be seen that there are a wide variety of views concerning the optimum methods for dealing with the North Korean security problem. One striking feature of the attitude of policy-makers is that there is a generally shared conception of North Korea as a security problem borne from and capable of being dealt with by economic power. In fact, the policy-making matrix shows that regardless of the organisational nature or political outlook of the policy actor, very few are actively opposed to the 'soft landing' policy in principle or to greater economic engagement between Japan and North Korea. But is also the case that there are limitations in practice to this support for engagement.

Thus, even those politicians who favour better relations with North Korea are unwilling to take the political risks involved with taking new initiatives in this area, and more than anything place priority upon preserving good relations with the US and South Korea. The bureaucrats with responsibilities connected to North Korea, much like the politicians, prefer not to expend their energies on the problem, and are skeptical of the ability of North Korea to reform its economy. The bureaucrats also value the US-Japan alliance and relations with South Korea above the cause of improved relations and engagement with North Korea. The business community, meanwhile, despite its great potential to mobilise Japan's reserves of economic power, remains unconvinced about the business opportunities in North Korea, has preferred to take a back seat to the bureaucrats and politicians in dealing with North Korea, and is unwilling to add its voice to those calling for greater engagement with North Korea. Added to this, the external influence of the US and South Korea have persuaded Japanese policy-makers to devote most of their available energy for foreign policy initiatives, at a time when they are preoccupied with domestic politics, to the priority of the US-Japan alliance, and especially to improving its

military functioning. External pressure, then, forms one further restraint on Japan's will and capacity to follow an independent security policy based on economic power, even if it is thought to be a desirable approach to the North Korean security problem.

The aggregation of all the attitudes and influences of the different policy actors in Japan provides the explanation as to why Japan has only been capable of following a policy of limited engagement towards North Korea, when in theory, and especially after the Agreed Framework of 1994 and reduced military tensions, North Korea looked to have shifted more towards a scenario requiring the use of economic power to provide a solution to the security problem. Even if it is not possible to say that the policy-making process in Japan towards North Korea is not log-jammed or paralysed, it is obvious that the process with regard to economic engagement has become cautious to the point of near passivity. The type of policy immobilism identified by J. A. A. Stockwin has clearly also afflicted policy-making in the case of North Korea. Thus, instead of dynamism in economic engagement and the search for policy solutions to the North Korean security problem based on economic power, the prime characteristic of Japanese policy towards North Korea has become the pouring of policy making energy into the maintenance of the US-Japan alliance following the problems revealed in it by the North Korea nuclear crisis and issue of US bases on Okinawa. The lack of any strong impetus in the policy-making process with regard to the economic engagement of North Korea has allowed policy in this area to drift, whereas the desire on both the part of the US and Japan to preserve the alliance has meant a much stronger drift towards an emphasis upon the military aspects of the North Korean security problem. In this way, it can be seen that the 'window of opportunity' following the Agreed Framework of October 1994 to deal with North Korea as a problem of economic power and security may be closing for Japan, and instead of the possibility of the North Korean security problem leading to a redefinition of Japanese security policy based on conceptions of the utility of

economic power and global civilian power, it is leading to a redefinition of Japanese security based on the importance of military power and the US-Japan alliance. At present the outcome of this process of redefinition is not yet clear, but the next section will move on to examine the changes in Japan's military security posture in relation to the problem of North Korea after the Agreed Framework of August 1994.

JAPAN'S MILITARY POLICY TOWARDS NORTH KOREA AFTER THE AGREED FRAMEWORK OF 1994

Chapter four has examined the nature of the North Korean security threat as perceived by Japanese policy-makers, and has shown that it is composed of both a limited but genuine military concern over North Korea's low intensity warfare and ballistic missile capabilities, and a larger related concern over the potential damage that North Korea could have upon Japan's security alliance with the US. It has already been described how at the height of the nuclear crisis in 1994, Japan responded to both these concerns by moves to strengthen its own individual and the US-Japan alliance's abilities to deal with a contingency on the Korean Peninsula triggered by North Korea. These moves took the initial form of research by government ministries and the LDP into the constitutional limits of the logistical support that Japan could provide to the US in the event of a military crisis, and the start of joint research into the TMD project. Since 1994, most commentators have agreed that the likelihood of a major conflict on the Korean Peninsula has receded, even if it cannot be entirely discounted, and as has been argued many of the policy-makers from all sides involved in the security problem of North Korea have been concerned to further reduce the possibility of a military conflict by the application of military rather than economic power. But despite signs of this shift to a conception of the international politics of the Korean Peninsula as increasingly a problem of economic power and security, it is apparent that for Japanese policy-

makers the military and alliance-politics aspects of the problem have continued to dominate their policy concerns with regard to North Korea. As already seen, the North Korean security problems coincidence with, and in fact partial responsibility for, a period of upheaval in the US-Japan alliance, has meant that the uppermost concern in the minds of Japanese policy-makers is to prevent North Korea from damaging relations with South Korea and the US, and this concern has overridden all others. As the North Korean security problem and difficulties in the US-Japan alliance have evolved, it has become clear that the two issues have become inseparable. The most obvious example of this is the question of US marine bases in Okinawa. The presence of the marines is regarded by the US and Japanese governments as an essential military force for the security of the region, and much of its legitimacy has now come to be vested in its role in a contingency on the Korean Peninsula.

Since 1995, the US-Japan alliance has entered a period of what is termed by academics and the press in Japan as 'redefinition' or *saiteigi*. Government security planners in Japan prefer use of the word 'reconfirmation' or *saikakunin* to describe the changes in the US-Japan alliance in this period.⁶⁶ But it is clear that even though the actual lettering of the Japan-US Treaty of Mutual Security has not changed, there have been significant moves to extend US-Japan security cooperation within the framework of the treaty and the Japanese constitution which represent more than just a simple reaffirmation of existing security arrangements than would be implied by the term of reconfirmation. If the changes in the alliance can then be called a redefinition, it also clear that many of these changes have come to be premised on the need to deal with a conflict sparked by North Korea. Thus both in response to a genuine military necessity and the need to search for a new political legitimacy for the alliance in a time of controversy over its future course and the bases in Okinawa, the US and Japanese security planning authorities have

⁶⁶Interview with Defence Agency official, Tōkyō, 14 November 1996; Umemoto Kazuyoshi, Nishihara Masahi, Kawashima Yū, and Akiyama Masahiro, '21seiki no anzen hoshō o kataru', *Gaikō Fōramu*, no. 94, Special Edition, 1996, pp. 25-30.

begun to initiate changes in the alliance by the utilisation of the North Korean threat. The following section will then examine how, even in a period of prospects for a long term decline in tensions on the Korean Peninsula, Japanese policy-makers have sunk their energy into strengthening the alliance with the US and Japan's own defence planning based on a North Korean threat. Specifically, examination will be made of the formulation and adoption in Japan of the new National Defence Programme Outline (NDPO), or *Bôei Taikô*, of 1995; the implementation of the ACSA (Acquisition and Cross Servicing Agreement) in 1996; the US-Japan Joint Declaration on security affairs and the decision to renew the 1978 US-Japan Guidelines for Defence Cooperation in April 1996; and other defence moves related to North Korea, including continued research on TMD, joint US-Japan military exercises, and research into the creation of a crisis management system.

National Defence Programme Outline

The original NDPO was adopted by the Japanese government in October 1976, and was the first attempt by security planners in Japan to set out the principles of Japan's defence policy alongside the necessary military force structure. The process leading up to the formulation of the NDPO and the final document itself exhibited both new thinking about Japan's defence requirements in an era of détente, as well as continuing Cold War perceptions and pressures. As Tanaka Akihiko has demonstrated, one of the original motivations that contributed to the formulation of the NDPO was the perceived lessening of Cold War tensions between the US, China, and the USSR, and thus an apprehension amongst certain defence policy-makers that the loss of a common threat perception between the US and Japan would also mean a loss of political and popular legitimacy in Japan for the US-Japan security alliance.⁶⁷ The Guam Doctrine of 1969, the Nixon Shocks of 1971, and the final withdrawal of US forces from Vietnam in 1973, set in a

⁶⁷Tanaka Akihiko, '1970nendai no anzen hoshô seisaku no tenkan: Reisen shûketsu no rihâsaru', *Gaikô Fôramu*, no. 94, Special Edition, 1996, pp. 80-95.

motion private Defence Agency and public government sponsored studies concerned with the future of Japan's defence posture in a period of uncertain threats, and how to reinforce both Japan's independent defence and the US-Japan alliance to cope with these changing circumstances.

The studies culminated in the *Bôei o Kangaeru* (Committee to Consider Defence) report of April 1975--ordered by the Director General of the Defence Agency, Sakata Michita, and consisting of a groups of prominent businessmen and academics. The conclusion of this study was that Japan should maintain sufficient defence power that would allow it not necessarily to be able to defeat outright any aggression against Japan, but at the least to have the capability to deny an aggressor from being able with ease to land in Japan and to overwhelm Japan's military forces.⁶⁸

This denial capability or *bôshiryoku* was to be incorporated later on into the NDPO as one of its chief principles--the Standard Defence Force Concept, or *kibanteki bôeiriyoku kôsô*. The Standard Defence Concept was a departure from the previous necessity force concept, which had predicated the quantitative expansion of Japan's defence capabilities as contained in the First to the Fourth Defence Plans on the consideration of the military capabilities of surrounding countries. Under the new concept, Japan's defence force was now be based not only on the capabilities of surrounding countries but also upon a consideration of the intention of those countries to commit aggression against Japan. In this way, Japan's defence planning was no longer tied simply to the specific military strengths of neighbouring countries. The Defence Agency was then able to slow the quantitative expansion of the SDF to a politically acceptable level, concentrate instead on its qualitative improvement, and plan for defence against smaller scale aggression that might be expected in an era of détente.⁶⁹ The NDPO introduced the Standard Defence Force Concept by stating that Japan would maintain, 'an adequate defence

⁶⁸Ôtake Hideo, *Nihon no Bôei to Kokunai Seiji*, Tôkyô, Sanichi Shobô, 1983, pp. 127-32.

⁶⁹Sebata Takao, *Japan's Military Expansion: An Analysis of Bureaucratic Politics and Change of the Defense Policy and the Decision-Making Process*, Unpublished Ph.D. dissertation, University of Denver, 1992, pp. 140-2.

capability of its own while establishing a posture for the most effective operation of that capability to prevent aggression,' and that in the event of aggression actually occurring, 'Japan will repel limited and small-scale aggression, in principle, without external assistance.'⁷⁰ Only in cases where the aggression proved too great would Japan seek assistance from the US. Hence, one reaction by Japanese security planners in the 1970's to the possibility of a changed strategic environment, was to begin to plan and innovate through the device of the NDPO for a stronger independent Japanese defence posture to cope with low intensity threats.

But at the same time, it is clear that the NDPO also came to reflect the conservatism and political compromises in Japan's defence planning. In many ways the NDPO was contrived to defuse domestic political controversy over defence issues, and, as has been described, one of the motivations for embarking on new studies of Japan's defence in the mid-1970's was the concern that détente could undermine the US-Japan security alliance, and that it therefore needed to be strengthened and re-legitimised.⁷¹ As a result of this, the NDPO of 1976 was also designed as a measure to strengthen and re-legitimise the US-Japan alliance. In order to do so, the NDPO surveyed the international security situation surrounding Japan, and argued that while there were indeed signs of increased stability due to the growth of interdependence and improved East-West relations, there were still deep-rooted factors making for confrontation between the US and USSR, and in many regions the fluid security situation could cause instability. With specific regard to the region surrounding Japan, the NDPO noted that although a measure of strategic balance had been established between the US, the USSR and China, tensions were continuing on the Korean Peninsula, and a build-up of military forces was continuing in other neighbouring countries. Given this situation, the 1976 NDPO concluded that the possibility of a limited conflict occurring in the

⁷⁰Defense Agency, *Defense of Japan 1995*, Tōkyō, Japan Times, 1995, pp. 266-7.

⁷¹Ōtake Hideo, *Nihon no Bōei*, pp. 124-5; J. M. W. Chapman, R. Drifte, and I. T. M. Gow, *Japan's Quest for Comprehensive Security: Defence, Diplomacy, Dependence*, London, Pinter Publishers, 1983, pp. 67-8.

region could not be ruled out, and that the US-Japan security system had a continuing important role both to deter aggression against Japan and to promote stability across the international community as a whole. Therefore, following statements about enhancing Japan's own denial capabilities, were ones which stressed that aggression against Japan was also to be deterred by the maintenance of confidence in and the smooth operation of the US security system, and that Japan would continue to rely on the US nuclear umbrella. Regarding instances of direct aggression, whilst Japan would resist for as long as possible by reliance on its own military capabilities, if the enemy proved too strong, Japan would wait for assistance from the US in order to repel the aggression completely. Therefore, the NDPO's stressing of Japan's reliance on the US in cases of anything but small-scale aggression meant that Japan was to be integrated further into the US alliance system. Moreover, even though the NDPO raised the question of other new sources of conflict in an era of détente, the force structure laid out at the end of the document makes it clear that security planners were still thinking very much in terms of deterring a Soviet attack on Japan, with the provision of large numbers of fighter interceptors, anti-submarine warfare ships, and main battle tanks--all designed to provide integral support for the US's military strategy in Northeast Asia (Table 28).

The 1976 NDPO, then, can be viewed as something of a mixed bag of innovation and caution with regard to the defence principles incorporated within it. The NDPO was stimulated by and partly a response to the new strategic environment that was thought to have been created by détente. But the NDPO was also an effort to preserve much of the existing defence infrastructure of the US-Japan alliance by relegitimising it based partly on new sources of low-intensity conflict following the decreased likelihood of superpower conflict. The 1976 NDPO seems to have served its desired purpose at the time of bridging the gap between the public's perception of the changing international security environment and the need to preserve the US-Japan alliance. However, the NDPO and its

concept of the standard defence force came to be criticised by certain groups of security planners within the SDF and LDP as too great a restriction on Japan's defence posture and contribution to the US-Japan alliance, especially because soon after the NDPO's publication in 1976, East-West confrontation resumed, leading up to the second Cold War with the Soviet invasion of Afghanistan in 1979.⁷² Moves to revise the 1976 NDPO in the 1980's, though, were blocked, and it was not until November 1995 that a revision of the NDPO was achieved.⁷³

The new NDPO announced in November 1995 and which came into effect in 1996 was also produced in an era of major changes in the security environment surrounding Japan. Like its predecessor, the 1996 NDPO also reflects a mix of desires to innovate to alter Japan's defence posture in order to meet new security demands and challenges, and a cautious conservatism in its dual preoccupation of seeking to keep intact the US-Japan alliance as the foundation of Japan's security policy. The background to the formulation of the new NDPO is remarkably similar to that of the 1976 version. As already described, the end of the Cold War and growing problems in the security relationship with the US have caused policy-makers in Japan to seek a new legitimacy for the US-Japan alliance. Therefore, much in the same way that the devisors of the 1976 NDPO were concerned with the future of the alliance in the period of détente, so have the devisors of the new NDPO also had to focus on this problem in the post-Cold War era.

Moreover, as well as in its background, the process of the formulation of the 1996 NDPO is also very similar to that of the 1976 version. As in 1975 and the run-up to the creation of the first NDPO, the Japanese government established a committee of private citizens to begin an investigation into Japan's post-Cold War security needs with a view to revision of the NDPO. In February 1994, the Hosokawa government created the Advisory Panel of Defence Policy under the

⁷²For instance, Kurisu Hirōmi, the Chief of Staff of the GSDF, termed the standard defence force concept as 'nonsense', and other SDF officers were reported to have stated that, 'there cannot be any defence plan which does not have the military strengths of nearby countries as the object'. Quoted in J. M. W. Chapman *et al.*, *Japan's Quest for Comprehensive Security*, p. 69.

⁷³Joseph P. Keddell, Jr., *The Politics of Defense in Japan: Managing Internal and External Pressures*, Armonk, New York and London: 1993, pp. 138-9.

chairmanship of Higuchi Hirotarô of the Asahi Brewing Company. In August 1994, after the formation of the Murayama government, the Advisory Panel delivered its report entitled *The Modality of the Security and Defence Capability of Japan: The Outlook for the 21st Century*, or otherwise known as the Higuchi Report. The Higuchi Report examined the post-Cold War security environment and characterised it as one in which the end of East-West confrontation had come to be followed by a range of diverse and non-specific security problems, such as regional conflict, the proliferation of weapons of mass destruction, and economic poverty. In the Asia-Pacific region, the report identified the chief security concerns as: signs of the build-up of military capabilities in a number of countries; confrontation on the Korean Peninsula; China's expansion of its military power and tensions between China and Taiwan; fears of the destabilisation of Cambodia; and the possibility that great power relations in the region could deteriorate.⁷⁴ In order for Japan to be prepared to handle this unclear and hazardous security environment, the report advocated that the US-Japan security relationship should indeed be strengthened as the platform for stability in the region, but also that on top of and beyond the alliance relationship, Japan should continue to promote multilateral approaches to security and its role in UN peacekeeping. Furthermore, in order for Japan's SDF to facilitate these types of role, the report recommended changes in its structure to create new flexible forces to engage in UN operations. The Higuchi report, then, whilst firm in its support for the US-Japan alliance, also saw this relationship as increasingly one which could serve as the springboard for efforts by the SDF to take on new functions to cope with the changed post-Cold War security agenda.

It is also clear that the Defence Agency and the SDF figures involved in parallel efforts to the Higuchi Report to revise the NDPO, were concerned to take the lessons of the post-Cold War security agenda on board, and to create a more flexible force structure for the SDF to respond to low-intensity types of conflict. In

⁷⁴Advisory Panel of Defence Policy, *The Modality of the Security and Defence Capability of Japan: The Outlook for the 21st Century*, Tôkyô, Ôkurashô Insatsukyoku, 1994, pp. 4-6.

addition, even though the key activity of the SDF was seen to remain as supporting the US's military role in the Asia-Pacific region, there were also attempts to escape from basing the bilateral security relationship on the old-style threat perceptions of the Cold War, and instead to move to re-orient the alliance based on the new non-specific types of security challenges as outlined in the Higuchi Report.⁷⁵

The new NDPO when unveiled by the Defence Agency in late 1995 can be seen to have incorporated many of the innovative features of the thinking of the Higuchi Report and Defence Agency and SDF planners. The 1996 NDPO confirmed the traditional principles of Japan's defence posture in the post-War era--*senshû bôei*, the three non-nuclear principles, and civilian control--but at the same time the NDPO also noted, in a similar fashion to the Higuchi Report, the need for the US-Japan alliance to serve as the basis for regional security and for the growth of multilateral security dialogue. Also, while the NDPO did not go as far as the Higuchi Report, it did stress Japan's need for greater involvement in UN peacekeeping activities, and for the SDF to fulfill a function in areas of low intensity threats such as terrorism.

However, despite the recognition within the NDPO of new types of post-Cold War security challenges and accompanying efforts to alter Japan's defence stance to deal with them, the 1996 NDPO like its predecessor twenty years earlier, is dominated by a prudent conservatism in the thinking of the Japanese defence establishment, and the need to compromise between the demands of the new security environment and the pressures for the maintenance of the existing security infrastructure. The inertia and resistance to the type of changes that might be expected to be required after the end of the Cold War is best illustrated by the force structure laid out at the end of the new NDPO. In spite of the recognition of the need to create a more flexible SDF to cope with low-intensity post-Cold War conflicts, the 1996 NDPO force requirements do not differ greatly from those of 1976, which as has been described were designed to deal with a Soviet invasion of

⁷⁵Interview with member of SDF Defence Planning staff, Tôkyô, 22 November 1996.

Japan. For instance, under the new NDPO and despite some projected cutbacks, the SDF is set to continue to maintain large numbers of interceptor aircraft, anti-submarine warships, and main battle tanks; a force structure very similar to that of the Cold War period and designed still to maintain support for the US security system in the region. This impression of the NDPO as failing to meet much of its own rhetoric when actually taking concrete steps to change the nature of Japan's defence posture in the post-Cold War era, is reinforced by its other sections. In fact, the overall tone of the NDPO suggests that even while it gives attention to new post-Cold War roles for the US-Japan alliance such as the growth of multilateral security dialogue, its priority is to recement the US-Japan alliance as the foundation for Japan's security and that all other considerations remain as secondary. Thus, in reference to the question of how to meet direct aggression against Japan, the new NDPO goes beyond the provisions of its predecessor and states that from the outset Japan will now expect to deny the enemy with assistance from the US.⁷⁶ The new NDPO is shot through with references to the upgraded importance of the US-Japan alliance for Japan's security, and makes reference to the US-Japan alliance thirteen times in comparison to three for the 1976 version. The new NDPO, then, can be characterised as something of a hybrid made up of competing demands for changes in Japan's defence policy in the post-Cold War era. It contains both the recognition of the demand for new force structures and roles for Japan's military, but also a more dominant conception, partly reflecting prudent caution and partly reflecting inertia in the defence establishment, that the chief aim of the NDPO should be to strengthen the US-Japan alliance. Moreover, what is significant for the purposes of this section is that it is clear that this post-Cold war strengthening of the US-Japan security relationship has again come to be legitimised on the problems of the Korean Peninsula.

⁷⁶Heiwa Anzen Hoshō Kenkyūjohen, *Ajia no Anzen Hoshō 1996-1997*, Tōkyō, Asakuma Shimbunsha, 1996, p. 169.

Table 28: Comparison between the organisation and primary equipment scales of 1976 and 1996 NDPOs

		1995 NDPO	1976 NDPO	
self-defence personnel		160,000	180,000	
regular personnel		145,000		
ready reserve personnel		15,000		
major units				
GSDF	regionally deployed units	8 divisions 6 brigades	12 divisions 2 combined brigades	
	mobile operation units	1 armoured division 1 airborne brigade 1 helicopter brigade	1 armoured division 1 airborne brigade 1 helicopter brigade	
	ground-to-air missile units	8 anti-aircraft artillery groups	8 anti-aircraft artillery groups	
	main equipment			
	battle tanks	apx. 900	apx. 1,200	
artillery	apx. 900	apx. 1,000		
major units				
MSDF	destroyer units (for mobile operations)	4 flotillas	4 flotillas	
	destroyer units (regional district units)	7 divisions	10 divisions	
	submarine units	6 divisions	6 divisions	
	minesweeping units	1 flotilla	2 flotillas	
	land-based patrol aircraft units	13 squadrons	16 squadrons	
main equipment				
destroyers	apx. 50	apx. 60		
submarines	16	16		
combat aircraft	apx. 170	apx. 220		
major units				
ASDF	aircraft control and warning units	8 groups	28 groups	
		20 squadrons 1 squadron (airborne early-warning squadron)	1 squadron	
	interceptor units	9 squadrons	10 squadrons	
	support fighter units	3 squadrons	3 squadrons	
	air reconnaissance units	1 squadron	1 squadron	
	air transport units	3 squadrons	3 squadrons	
ground-to-air missiles units	6 groups	6 groups		
main equipment				
combat aircraft	apx. 400	apx. 400		
fighters (included in combat aircraft)	apx. 300	apx. 350		

Sources: Defense Agency, *Bôei Hakusho 1995*, Tôkyô, Ôkurashô Insatsukyoku, 1995, p. 319; Defense Agency, *Bôei Hakusho 1995*, Tôkyô, Ôkurashô Insatsukyoku, 1995, p. 312.

In line with Japan's policy of *senshû bôei*, the new NDPO refrains from designating any particular country as a potential threat to Japan's security, and instead refers to regional trends and phenomena that may form causes for instability. But the oblique language of *senshû bôei* and the NDPO fails to disguise that the Korean Peninsula--in turn, shorthand for North Korean aggression--is one

of the main premises for strengthening the US-Japan alliance. The 1996 NDPO in the same way as its predecessor and the Higuchi Report carries out a survey of the international security situation surrounding Japan and states the following:

In the area surrounding Japan, the end of the Cold War and the collapse of the Soviet Union have brought about a reduction of the military force level and changes in the military posture in Far East Russia. At the same time, there still remain large-scale military capabilities, including nuclear arsenals and many countries in the region are expanding or modernising their military capabilities mainly against the background of their economic development. There remain uncertainty and unpredictability such as continued tensions on the *Korean Peninsula*, and a stable security environment has not been fully established. Under these circumstances, the possibility of a situation in the region which could seriously affect the security of Japan, cannot be excluded. At the same time, various activities are being pursued to deepen cooperative relations among nations and to achieve regional stability, such as the promotion of bilateral dialogues and search for a regional security framework.

The close cooperative relationship between Japan and the United States, based on the Japan-US Security Arrangements, will help to create a stable security environment, provide the foundation for securing the engagement of the United States and the US military presence which are necessary for peace and stability in this region, and thus will continue to play a key role for the security of Japan, as well as the stability of the international community.⁷⁷

In this way, the NDPO acknowledges the end of East-West conflict, the concomitant reduced likelihood of conflict in the Far East generated by Russia's military, and then goes on to state a number of uncertain problems of security in the region. But what is of note, is that, whereas the former NDPO premised Japan's defence posture on the problems of East-West conflict, with the Korean Peninsula as a secondary consideration; and the Higuchi report considered the problem of the Korean Peninsula alongside China, Russia, and Cambodia; the new NDPO makes mention of and so elevates to a position of prime importance only one specific area of geographical concern—the Korean Peninsula. The NDPO then goes on, after raising the issue of the Korean Peninsula as the sole specific example of security concern, to link the continuance of problems such as this with the future of Japanese and regional security, and to state that the US-Japan alliance is essential for both of the former. The focus on the Korean Peninsula as a legitimisation for the US-Japan security alliance is made even more striking when it is considered that

⁷⁷Author's italics. The Defence Agency, *Defence of Japan 1996*, Tōkyō, Japan Times, 1996, p. 277.

the NDPO chose to neglect the obvious concerns of the perceived expansion of China's qualitative and quantitative military power and its impact on East Asian security as raised in the Higuchi Report and by other groups of policy-makers in Japan and abroad. Even though the NDPO was produced before the escalation in tensions between China and Taiwan in early 1996, the question of China's military power it is clear was already exercising the minds of Japanese policy-makers before the release of the new NDPO in November 1995. The reasons behind this decision to omit China as one possible example of a source of instability in the region are open to interpretation. The Director General of the Bureau of Defence Policy, Akiyama Masahiro, when interviewed about the formulation of the NDPO, gave the following view of a possible Chinese threat:

We do not see any threat [from China] at this time. Of course this is really a question of how far ahead we can foresee events. Frankly speaking, we do not foresee any problems in the next five years, but it is rather difficult to say what might happen in thirty. The new NDPO has a time frame of ten to fifteen years, and it contains no references to China as a threat.⁷⁸

Discussion with Defence Agency and SDF personnel and the general climate of security relations in East Asia suggests, however, that Akiyama's answer may be somewhat disingenuous. The real reason for the NDPO's avoidance of any mention of concerns about China is not that they do not exist, but that it is politically and diplomatically impossible to do so without inviting a strong reaction from China.⁷⁹ Hence, as it stands, while the NDPO may be concerned with creating the basis of a new Japanese defence stance to deal with security anxieties linked to China as well, the Korean Peninsula and by implication North Korea have been singled out for designation as the only specific geographical area of concern upon which to base the US-Japan alliance in the post-Cold War period.

The ability to designate North Korea as a specific threat has great political value in order to justify alterations in defence policy in an era in which specific threats have ceased largely to exist. Although the new NDPO can then be seen as a genuine

⁷⁸Japan's defense: security for the Twenty-First Century', *Look Japan*, vol. 42, no. 483, June 1996, p. 5.

⁷⁹Interview with member of SDF Defence Planning Staff, Tōkyō, 22 November 1996, Heiwa Anzen Hoshō Kenkyūjohen, *Ajia no Anzen Hoshō*, 1997-97, p. 11.

attempt to adapt Japanese defence policy to meet the demands of the post-Cold War era, it is also as a policy document oriented primarily to achieve these ends by strengthening the US-Japan alliance, and thus one affected by inertia and unable to resist the temptation to revert to old-style threat perceptions. This accounts for the use of the Korean Peninsula and North Korea as the immediate basis for the legitimacy of the alliance in the post-Cold War period, a need made even more pressing at the time of the NDPO's publication by the Okinawa base issue. The problems that North Korea present militarily and politically to the US-Japan alliance have already been examined, and it is inevitable that in reaction to these the alliance should have been strengthened. But at the same time, the deliberate avoidance of the obvious security issues such as China in favour of exclusive concentration on the Korean Peninsula suggests that this issue may now have become the cover-all political legitimacy for changes in the US-Japan alliance. This tendency can also be witnessed in the other major changes in the functioning of the alliance since late 1995, and these will be examined next.

Acquisition and Cross Servicing Agreement

If the NDPO of November 1995 was the first major step achieved in the strengthening of the US-Japan alliance in response to the military need and the political opportunity of security concerns related to the Korean Peninsula, the second major step was the signing of ACSA (Acquisition and Cross Servicing Agreement) on 15 April 1996 and put into effect in October 1996. In May 1988 and as part of the on-going research since the late 1970's into the Guidelines for US-Japan Defence Cooperation, the US originally requested an agreement from Japan to provide logistical support at a time of crisis to US forces in Japan in the form of food, fuel, communications, transport, and ammunition.⁸⁰ At the time, the US request was turned down by the Japanese side due to concerns about the provision of such logistical support as a contravention of Japan's constitutional prohibitions

⁸⁰Maeda Hisao, 'Gaidorainu kara shingaidorainu made', *Sekai*, July 1996, p. 76; Bôeichôhen, *Bôeihakusho 1996*, Tôkyô, Ôkurashô Insatsukyoku, 1996, p. 220.

on the exercise of the right of collective self-defence. However, as has been seen, events leading up to the North Korean nuclear crisis of 1994 brought renewed calls from the US for logistical assistance from Japan, and this led the Japanese government to begin secret discussions on how to define the limits of assistance possible from Japan to the US. The dropping off in tensions after the October 1994 Agreed Framework reduced the urgency for studies on logistical assistance, but calls for clarification on this issue resurfaced in 1995. Coming at a time of stresses in the alliance over Okinawa, the Japanese side this time saw an urgent need to make a substantial gesture to improve US-Japan security relations. The final result of this was the negotiation of the ACSA agreement which received the backing of the LDP's Security Research Council, and which was prepared in time for signing just before the scheduled visit to Japan by President Clinton in April 1996, and so designed as a demonstration of improved US-Japan security ties.⁸¹

The original US demands for the provision of ammunition for live-firing drills was refused by Japan as touching upon the exercise of the right of collective self-defence, but ACSA did determine that Japan could supply food, transport, food, communications, spare parts, and repairs to US forces in Japan, provided that this was limited to peacetime joint US-Japan exercises, UN-led peacekeeping operations, and international relief activities.⁸² The terms of ACSA were more limited than the US may have desired, but the agreement was viewed as important by both sides because it clarified some of the areas of uncertainty over the limits of cooperation and tightened the bonds of interoperability of US forces in Japan and the SDF. Moreover, as with all other aspects of Japanese defence policy, since its initiation in 1996 the element of incrementalism has begun to creep into ACSA. For example, it was reported in February 1997 that the MOFA was now considering applying ACSA in the event of a contingency in the Far East under the 1978

⁸¹Tōseimu Chōsakai and Anzen Hoshō Chōsakai, 'Nichibei anpo taisai no konnichi teki igi', p. 96.

⁸²*Japan Times*, 12 April 1996; *Japan Times*, 28 February 1996, p. 1; *Yomiuri Shimbun*, 7 March 1996, p. 1; Tōseimu Chōsakai and Anzen Hoshō Chōsakai, 'Nichibei anpo taisai no konnichi teki igi', p. 96.

Guidelines review.⁸³ Hence, it becomes even clearer that ACSA has originated in attempts to strengthen the US-Japan alliance which are designed to counter the deficiencies first revealed in it by the North Korean nuclear crisis.

US-Japan Joint Declaration and review of the 1978 Guidelines for Japan-US Defence Cooperation (Appendix)

The third major step taken to reinforce the US-Japan alliance in response to and using the legitimacy of the North Korean threat was the agreement by the Japanese government to begin a review of the 1978 Guidelines for Japan-US Defence Cooperation, or *Nichibei Bôei Kyôryoku no Tame no Shishin*. This agreement was made at the same time as ACSA, and was then reconfirmed in the US-Japan Joint Declaration on security alliance issued by Prime Minister Hashimoto and President Clinton on the occasion of the President's visit to Japan on 17 April 1996.

The original Guidelines were created in 1978 as another part of the response of the government to strengthening the US-Japan alliance which had already begun with the 1976 NDPO. The Guidelines were intended to give definite shape for the first time to the areas in which Japan and the US could cooperate within the framework of the US-Japan security treaty and the Japanese constitution in the event of a conflict. The aim of the Guidelines was to strengthen cooperation between the US's military forces and the SDF in the areas of tactics, information exchange, joint exercises, and logistical support. Three types of scenarios for cooperation were envisaged by the Guidelines: cooperation to deter aggression; cooperation in the event of aggression against Japan itself; and cooperation to support US forces in the event of a contingency in the Far East that could affect seriously Japan's security.⁸⁴ The study of the first two scenarios produced enhanced military planning between the US and Japan, and led to a dramatic rise in

⁸³*Yomiuri Shimbun*, 14 February 1997, p. 2.

⁸⁴Asakumo Shimbunsha, *Bôei Handobukku*, Tôkyô, Asakumo Shimbunsha, 1996, pp. 296-303.

the number of joint exercises. The third area came under study in 1982 but until the 1990's produced few concrete conclusions.⁸⁵

However, in late 1995 and in response to the need again to strengthen politically the US-Japan alliance after the Okinawa rape incident, and in response to the military shortcomings exposed by the North Korean nuclear crisis, moves were put in place to begin a review of the Guidelines, and especially to begin a further investigation of the support for the US in the event of a contingency in the Far East. The politically sensitive nature of proposals to review the Guidelines meant that internal government discussions were at first eschewed in favour of LDP party level investigations, conducted with the assistance of the Defence Agency and the MOFA. The task of the LDP's Policy Affairs Research Council and Security Research Council was to explore the limits for cooperation with the constitutional prohibitions on collective self-defence. Evidence presented to the committees by the Defence Agency, SDF, and the MOFA argued that in the event of a Far East contingency, Japan could provide to the US: SDF bases; civilian ports and airports; communications; information exchange; security for US bases in Japan; and various types of logistical support.⁸⁶ These LDP committees therefore recommended that a review of the Guidelines in all three of the scenarios for cooperation was possible and necessary.⁸⁷

The LDP committee recommendations were then incorporated into the US-Japan Joint Declaration, originally intended for release at the APEC summit in Osaka in November 1995 as another measure to strengthen the US-Japan alliance after the problems of Okinawa, but postponed after the cancellation of President Clinton's visit to Japan. The Joint Declaration revised and finally released in April 1996 included the statement that research would be carried out:

⁸⁵Glenn. D. Hook, *Militarization and Demilitarization in Contemporary Japan*, London, Routledge, 1996, p. 51.

⁸⁶Nichibei anzen hoshō kyōdōsengen to tokubetsu kōdō iinkai chūkan hōkoku', *Sekai Shūhō*, 28 May 1996, pp. 69-71.

⁸⁷Interview with LDP House of Representatives Diet member, Tōkyō, 6 February 1997; Tōseimu Chōsakai and Anzen Hoshō Chōsakai, 'Nichibei anpo taisai no konnichi teki igi', p. 96; *Asahi Shimbun Yūkan* 15 March 1996, p. 2; *Mainichi Shimbun*, 16 March 1996, p. 2.

To promote bilateral policy coordination, including studies on bilateral cooperation in dealing with situations that may emerge in the areas surrounding Japan, and which will have an important influence on the peace and security of Japan.⁸⁸

As a result of the Joint Declaration, the SCC (Security Consultation Committee) was established, holding its first meeting in Hawaii on 29 May 1996, as a joint US-Japan body to review the Guidelines with the aim of completing the task by the autumn of 1997. On 19 September 1996, the SCC produced a mid-term progress report which with regard to a contingency in the Far East explained that further research on US-Japan cooperation would focus on the five areas of humanitarian relief activities; the evacuation of non-combatants, the use by the US of facilities in Japan; regional logistic support activities for US forces; and the operation of US forces and the SDF.⁸⁹

The agreement to revise the Guidelines has raised fears in Japan and abroad of a major expansion by Japan of its defence role in the region and that this would intrude into the realms of the exercise by it of collective self-defence. MOFA, Defence Agency, and SDF figures have argued against this view, stating that the review will be conducted entirely within the bounds of the constitution and its existing interpretations including collective self-defence, that the basic structure of the US-Japan security treaty has not changed, and that the contents of the treaty will now come merely to match the original definition of the security relationship as laid out in the treaty. On this basis, they stress that the US-Japan Joint Declaration does not represent a radical change in the security relationship, and so is not a redefinition but a reconfirmation.⁹⁰ Moreover, in private they are even willing to admit that at the end of the review period there may be very few extra specific commitments for Japan, as the process is a long one of first drawing up a list of alternatives, and that in fact the deliberate policy of the government in Japan may be

⁸⁸Defense Agency, *Defense of Japan 1996*, pp. 267-70.

⁸⁹Nichibei bōei kyōryoku no shishin minaoshi ni tsuite', *Securitarian*, November 1996, p. 13.

⁹⁰Interview with MOFA official, Tōkyō, 3 December 1996.

to keep the 'grey zones' for Japanese support for the US intact to allow for more freedom of manoeuvre in the future.⁹¹

To certain groups of policy-makers in Japan, then, the US-Japan Joint Declaration does not indicate such a major change in the role of the SDF, and they are more impressed with the Joint Declaration's and Guidelines review's ability to restore political confidence in the US-Japan alliance. Thus, even though the actual results of the review are unlikely to be known until the end of 1997, it is clear that even if the effect of the Declaration is not to conclusively strengthen the military aspects of the alliance, it has done so politically. Furthermore, it is clear that once again this reinforcement of the alliance in military and political terms has been achieved in response to and by using the legitimacy of the North Korean threat.

Again in line with the policy of *senshū bōei*, security planners in Japan have denied that the agreement to review the Guidelines is based on a contingency on the Korean Peninsula. For example, in the House of Representatives Standing Committee on Security in May 1996 and following the US-Japan Joint Declaration, Oide Shun, a member of the SDP, made the accusation that the Guidelines were being reviewed by using the justification of the threat of North Korea, and in reply, Ikeda Yukihiko, the Foreign Minister replied: 'I want to state that they [the Guidelines review] are not premised on a contingency involving North Korea or any other specific region.'⁹² But despite these denials, it is clear that even if the final aim of the review and the strengthening of the US-Japan alliance is not to deal with the North Korea threat and may be directed at other potential sources of insecurity, the issue of the Korean Peninsula and North Korea has been used to provide the necessary political legitimacy for changes to the alliance in the same way as the NDPO. The LDP Security Research Council which first discussed and approved the need for the Guidelines review, in a similar fashion to the Higuchi Report, first evaluated the security situation in the region surrounding Japan before

⁹¹Interview with MOFA official, Tōkyō, 6 December 1996.

⁹²*Kokkai. Shūgiin, Anzen Hoshō Iinkaiiroku*, 31 May 1996, no. 8, pp. 8-9 (Author's translation).

proceeding to establish the necessary steps that Japan should take to strengthen the US-Japan alliance after the end of the Cold War. The report of the LDP Security Research Council considered a number of non-specific problems of security in the region and named the specific geographical areas of China and Russia, but the first area it identified was again the Korean Peninsula and North Korea. If the Korean Peninsula headed the list of security concerns in this non-governmental but influential report, then by the time its recommendations had fed through into official policy, much like the Higuchi Report, the other problems of security raised in addition to it had been quietly dropped. Instead, the Korean Peninsula had become the sole geographical and specific area of concern mentioned as a possible cause for instability in the Asia-Pacific region and as a reason for strengthening the US-Japan alliance. With regard to the regional security outlook, the Joint Declaration stated in language very similar to the 1996 NDPO that:

Since the end of the Cold War, the possibility of global armed conflict has receded. The last few years have seen expanded political and security dialogue among countries of the region. Respect for democratic principles is growing. Prosperity is more widespread than in any other time in history, and we are witnessing the emergence of an Asia-Pacific community. The Asia-Pacific region has become the most dynamic area of the globe.

At the same time, instability and uncertainty persist in the region. Tensions continue on the *Korean Peninsula*. There are still heavy concentrations of military forces, including nuclear arsenals. Unresolved territorial disputes, potential regional conflicts and the proliferation of weapons of mass destruction and their means of delivery all constitute sources of instability.⁹³

Therefore, in the same way as the NDPO, the Joint Declaration indicates a range of potentially threatening phenomena, but only chose to pick the one specific area of the Korean Peninsula. This in part could be justified by the knowledge that in the month previous to the Joint Declaration, North Korea had begun to violate the ceasefire arrangements on the DMZ, giving genuine grounds for concern. But the impression that the North Korean threat has been used again by the defence establishment in Japan and the US as the political legitimacy for changes in the US alliance is reinforced by the fact that the Joint Declaration chose to ignore

⁹³Defense Agency, *Defense of Japan 1996*, p. 266.

deliberately that in March 1996 it was actually China's military activities that had given greater cause for concern than North Korea's. China's military intimidation of Taiwan in the run-up to the presidential elections of that month had provoked a far stronger military reaction from the US than events on the Korean Peninsula, with the US dispatching an aircraft carrier--the *Independence* harboured in Japan--through the Taiwan Straits for the first time since the 1960's, and it is clear that it was China which presented itself as the main new security concern in the Asia-Pacific at that time. It might be possible to accept the argument made by some figures in the MOFA that China presents a more manageable security challenge than North Korea due its reputation as a rational military actor, and hence the problem of North Korea was raised in the Joint Declaration.⁹⁴ But the Joint Declaration's blatant passing over of security concerns about China with only a mention later on of the need for engagement with it, in favour of labeling the Korean Peninsula as a major security problem, can only be explained as an attempt to avoid diplomatic conflict with China and to use instead North Korea as a convenient scapegoat and threat upon which to premise all the changes in the functioning of the US-Japan alliance.

The Japanese side may not be prepared to admit openly that the Korean Peninsula has been used as one of the premises for the revision of the 1978 Guidelines, but the US side is more forthcoming. William Perry, the then US Secretary of Defence, talking about the decision to conduct the review stated that:

In terms of the role of the Japanese government in a crisis, I think that much depends on the crisis. If there were a military crisis in Korea, for example, US forces will find it necessary to have some access to bases in Japan for supply and logistics for the forces in Korea.⁹⁵

Therefore, the US-Japan Joint Declaration and the review of the Guidelines, despite the denials of the Japanese government, and despite the existence of another legitimising factor in the shape of concerns about China's defence posture, have

⁹⁴Interview with MOFA official, Tōkyō, 3 December 1996 (Author's italics).

⁹⁵*Japan Times*, 16 April 1996, p. 3.

been sold to the Japanese government on the basis of the need to respond to a security threat originating on the Korean Peninsula, and hence from North Korea.

Crisis management system

The demands of some figures in the LDP and NFP for the creation of a clear legal system to allow for the management of a crisis related to the Korean Peninsula has already been examined. The government level research which had largely stopped after the North Korean nuclear crisis in late 1994, was restarted by the order of Prime Minister Hashimoto in early 1996, and was this time undertaken by the LDP's Security Research Council in parallel with its research into the revision of the 1978 Guidelines. In April 1996, the Defence Agency presented research to the committee outlining the areas in which it would be possible constitutionally for the Japanese authorities to take steps to deal with a crisis affecting Japan's security including the evacuation of Japanese citizens from abroad, the protection of coastal installations such as nuclear power stations from terrorist attack; and steps to manage mass refugee flows to Japan.

Based on this preliminary study, the Prime Minister then instructed the security division of the Cabinet Research Office in May 1996 to begin research into the creation of a set of laws for crisis management, or a *yûji hôsei*, in the above areas and added a further category dealing with logistical support for the US in the event of a contingency. The research into the evacuation of Japanese nationals was concluded relatively quickly, this being an area of MOFA jurisdiction and experience. Research into the other areas does not appear to have proceeded so smoothly due to problems of ministerial jurisdiction.⁹⁶ The final results of the

⁹⁶The three main ministries charged with tackling the problem of the creation of the *yûji hôsei* are the MOFA, the Ministry of Justice, and the Police Agency. As noted in the main text, the MOFA has carved out its own area of jurisdiction in crisis management research, but the Police Agency and Ministry of Justice have been unable to determine which of them is responsible for the supervision of a refugee crisis, and it is rumoured that the Police Agency is not willing to take over the extra responsibility for the guarding of the Japanese coast in the event of a crisis. As a consequence of this indecision, those acquainted with the policy-making process do not expect quick results on the dividing up of jurisdictions and in creating a crisis management system. Interview with former MOFA official, Tôkyô, 11 December 1996.

research are not expected until late in 1997, and again they may not mark a radical departure in Japan's defence posture or ability to mount a response to a contingency affecting the nation's security. But as with the NDPO and the review of the 1978 Guidelines, research into crisis management has been clearly sparked by the problems connected with the Korean Peninsula, such as refugee flows and guerrilla warfare, which has then provided the legitimacy to begin to look to ways to alter Japan's defence stance and the functioning of the US-Japan alliance.

Military technology: TMD and satellite surveillance

The history of the TMD project has already been explored in chapter four, and as seen much of the rationale and political support for it has been based on the perception of the North Korean ballistic missile threat. Defence Agency officials point out that TMD is designed not to counter any specific threat from North Korea, but simply the phenomena of the proliferation of missile technology itself in Northeast Asia. Moreover, they are also willing to admit that they have doubts about the final cost effectiveness and technological feasibility of the programme, given the need to balance protection from a ballistic missile threat with the massive costs of trying to develop a system to protect the entire land mass of Japan. However, it is also clear that the programme is seen as crucial for the future of the US-Japan alliance and for maintaining Japan's level in weapons technology in a period of declining defence budgets and funding for research and development of new weapons. Thus, the TMD project will remain under study by the Defence Agency, and the threat from North Korea will remain as one of the public justifications for the project.

One other attempt by the Defence Agency to develop new military technology based on the North Korean threat is that of the possible acquisition of a spy satellite for the SDF. Reports in the Japanese press in mid-1995 stated that the Defence Agency's failure to collect independent intelligence on North Korea and exclusive reliance on US satellite imaging had persuaded it to begin a study of the acquisition

of a Japanese spy satellite for these purposes.⁹⁷ The cost of the satellite and the constitutional obstacles to Japan's use of space technology for military purposes may yet prove to be obstacles too great for the Defence Agency's ambitions, but the satellite project is one more interesting example of the diversification of Japan's defence capabilities in response to and using the opportunity of fears about North Korea.

***De facto* collective self defence?**

As has been seen in the section of the US-Japan joint declaration, the decision to review the 1978 Guidelines and possible increased Japanese assistance for the US in the event of a contingency in the Far East, provoked a debate in Japan about the government's intention to abandon its interpretation of the constitution as prohibiting the exercise of the right of collective self defence. These fears were first raised by the LDP's Security Research Council which recommended that in addition to the adoption of the ACSA and the start of the Guidelines review, Japan should look again at the question of the right of collective self defence.⁹⁸ The final decision of the government, though, was that in implementing ACSA and the Guidelines review, this should not touch upon the exercise of the right of collective self-defence, and all the research should be within the existing interpretations of the boundaries of the constitution. But, while the Korean Peninsula problems have not lead the government to consider officially the exercise of collective self-defence, it could be argued that a form of *de facto* collective self defence, or at least rehearsals and a command structure for it, are gradually being put in place based on the scenario of a crisis on the Korean Peninsula. The most obvious example of this was the coincidence of joint US-ROK and joint US and Japan military exercises in November 1996. Between 4 and 17 of November, the US held large-scale exercises in South Korea designed to restore confidence in the US-South Korea

⁹⁷*Asahi Shimbun*, 5 May 1996, p. 1.

⁹⁸*Mainichi Shimbun*, 10 March 1996, p. 2.

alliance following the submarine incident of September of the same year. Between 5 and 10 of November, the US also held joint exercises with Japan involving a total of 22,000 US and SDF personnel in the Sea of Japan and the Japanese mainland. During these exercises, the ACSA was employed for the first time to allow the refueling of US military transports in Hokkaidō and Oida Prefecture, and to refuel US fighter planes. The US aircraft carrier *Independence* was also reported to have participated in the US-Japan exercises after crossing over from taking part in the US-ROK exercises.⁹⁹ In this sense, then, although the US, Japanese, and South Korean forces never came in contact with each other at the same time, the US as the intermediary has created a system whereby it could receive support by both of its allies in time of need and would be better able to respond to a contingency on the Korean Peninsula. That these types of exercises are laying the ground for collective security is denied by the Defence Agency which dismisses the November exercises as purely coincidental in timing, stating that the US-Japan exercises had been scheduled long before the US-ROK ones which were arranged at short notice and were a temporary measure to replace the suspended Team Spirit exercises.¹⁰⁰ The timing of the exercises though suggests more than just mere coincidence, and certainly from the North Korean view it must look very much like these exercises mark even closer defence cooperation between the US, Japan, and South Korea.

SUMMARY

This chapter has looked inside the Japanese policy-making process to investigate why Japan so far has mobilised only limited economic power to tackle the North Korean security problem, despite the fact that policy-makers conceive of North Korea as a problem to be dealt with by economic power, and that the analysis in chapter five suggests Japan has the necessary economic power to do so. Examination of the main policy-making actors reveals that, although none of them

⁹⁹*Japan Times*, 5 November 1996, p. 2.

¹⁰⁰Interview at National Institute of Defence Studies, Tōkyō, 1 November 1996.

is actively against economic engagement with North Korea, there is also no policy-making impetus sufficient to overcome the disincentives for politicians, bureaucrats, and businessmen to take an initiative to improve political and economic relations with North Korea. Japanese policy-making with regard to the economic engagement of North Korea, then, has entered a state of immobilism, and this has obstructed Japan from acting as a global civilian power in this instance.

The analysis in this chapter has gone on to demonstrate that immobilism in the economic security policy-making process has caused policy-makers to devote their energies instead to military security, where the external pressure of the US alliance is strong enough to eliminate any policy deadlock. Hence, the final conclusion of this chapter is that in the case of North Korea problems in the policy-making process actually have caused Japan to strengthen its military rather than its economic security policy.

Conclusion

This dissertation began by putting forward three fundamental and interlinked questions and objectives related to the making of security policy in the post-Cold War era. These were concerned with, firstly, the nature of global security policy after the Cold War and the relative importance of military and economic power within it; secondly, the direction of Japanese security policy and whether Japan could fulfill the role of a global civilian power by relying primarily on economic power to resolve security problems; and, thirdly, whether it is possible to, and what are the benefits of, combining theory in international politics in order to construct a model of global civilian power and to extend our understanding of security in this period.

To achieve these objectives, the introduction made it clear that this dissertation would mix theories from Western and Japanese scholarship to provide a detailed model of Japanese economic power and global civilian power, which could then be tested against the specific security problem of North Korea in order to determine the validity of economic power for post-Cold War security policy-making. In constructing and testing this model, the aim was also to add to our overall understanding of the extent of Japanese economic power and its utility for security policy; the internal workings of the Japanese security policy-making process; Japan-North Korea relations; and more generally the implications of the North Korean security problem for security in the region.

Given this set of objectives and aims, this concluding chapter will examine how far they were achieved and the significance for our understanding of post-Cold War security policy-making. The conclusion will first review the general arguments made in the dissertation chapters and then at appropriate points will discuss how far the aims stated above have been achieved. Following this, the extent of the achievement of the overall objectives will be discussed and then some future considerations about the concept of global civilian power will be raised.

Examination in chapter one of the debate on security amongst policy-makers in the West revealed that there are doubts about the utility of military power in dealing with a range of new and reemergent low-intensity security problems. As a result, the chapter made it clear that policy-makers have begun to reconsider economic power as a possible way forward in achieving global security, and that this was a vital issue for security after the Cold War. By looking at the security debate in Japan, it was discovered that there is a similar division in the policy-making community between those who wish to see Japan increase its military contribution to regional and global security, and those who wish to see Japan take advantage of the opportunities afforded by the end of Cold War and revitalise its traditions of security based on economic power. Despite the widely held conception of economic power as an important form of security policy, it appears that those policy-makers who wish to see Japan's military role in global security increase are at present in the ascendant. This is marked most clearly by the dominance of two conservative parties both committed to varying degrees to the overseas despatch of the SDF. However, it was also noted that there was an essential irony to this situation. This is because more than ever--as the debate on security in the West shows--economic power is seen as necessary to address the problems of the post-Cold War security agenda, and that Japan's disposition of economic power should argue for its taking a leading role in articulating economic rather than military conceptions of security.

The remainder of chapter one then examined the current state of international political theory on power and security and demonstrated that in both the West and Japan it all points to economic power as the arbiter of relations among states, and as the key to a stable security environment. Convergence in the debate on economic power and security has allowed the concept of global civilian power to be born. In this dissertation the global civilian power is defined as one which relies primarily on economic power to achieve its security ends, with only a minimal role ascribed to military power. The chapter showed that Japan has been seen as an ideal

candidate for obtaining the status of a global civilian power, but that as yet the concept is more of an ideal than a clear theoretical model to be tested in specific security situations.

Therefore, in chapter two the concept of global civilian power was expanded and given theoretical shape. By again combining Western and Japanese scholarship this dissertation was able to establish a typology of economic security policy, economic power, effectiveness of economic power based on the concept of vulnerability, the components of economic power, and thus a model of global civilian power capable of being tested empirically. In this way, the dissertation has sought to produce one of the first comprehensive models of economic power and security, and so has aimed to make a contribution to our theoretical understanding of these issues in international politics.

Chapter three began to apply this model to Japan by delineating the extent of Japan's direct and indirect economic power, and the facilitating factors and obstacles in the policy-making process to the use of economic power in the service of security policy. This investigation was necessary to lay the ground for the case study of Japan-North Korea relations in chapter five, and again made a contribution to our understanding of economic power by placing Japan's economy within a coherent theoretical framework to judge the extent of its economic power. It was found that Japan possessed the ability to extend direct economic power across a range of economic components in the form of positive and negative sanctions, but also that even more importantly Japan's possession of indirect economic power and the integration that this brings about has potentially great benefits for security. However, this chapter also explained that Japan as a global civilian power includes not just the state and its institutions, as represented by the bureaucracy and politicians, but also private business as the managers and owners of much of Japan's economic might. Hence, the interaction between these three internal actors, as well as with external actors in the shape of other countries, sets the boundaries to Japan's activation of its economic power.

Having outlined thoroughly Japan's economic power 'manifesto' in chapter three this was now tested against the security problem of North Korea in chapters four and five. Chapter four outlined how in the past, and especially during the Cold War, North Korea and the Korean Peninsula have been viewed very much in realist terms as problems of diplomacy, military security, and the balance of power between the major states in East Asia. After the Cold War these aspects of the problem have continued to remain salient, as shown by North Korea's nuclear programme and development of other weapons of mass destruction. The nuclear crisis of 1994 demonstrated how the security situation on the Korean Peninsula is still capable of precipitating military conflict. These explosive aspects of the North Korean security problem have also been added to by new implosive aspects, with the threat of North Korea's breakdown as a state having an impact on the internal security of other states. Moreover, North Korea's military threat has been multiplied by the destructive effect that its diplomatic and military manoeuvring has had upon political confidence in the US-South Korea alliance, and the knock-on effects of this upon the US-Japan alliance. As a consequence, during the period of the nuclear crisis and after, the US and South Korea have responded to North Korea's military threat by moving to strengthen their diplomatic, military, and political cooperation. To some extent Japanese policy-makers have shared this military conception of the North Korean threat, and have cooperated with US and South Korean diplomatic and military initiatives to contain North Korea

But at the same time as chapter four provided one interpretation of the North Korean security problem as being of highly militarised nature, it also made it clear that in the 1990's the Korean Peninsula security scenario has begun to change, and aimed to revise our understanding of the security problem. Policy-makers on all sides, and even at the height of the nuclear crisis, have begun to comprehend that North Korea's military behaviour is an outward manifestation of its economic insecurity, and that the most effective means with which to resolve the problem over the long term is economic power. In theoretical terms, the exclusively realist

scenario has begun to be challenged by one that has liberal characteristics, and in which security for North Korea and the surrounding states can be constructed by encouraging economic reform in North Korea and its economic integration into the region. This conception of North Korea as a problem to be dealt with by economic power has been realised in actual policy by the US's creation--in partnership with South Korea and Japan--of KEDO and its pursuit of a 'soft landing' for the North Korean economy. It is clear that this mainly US State Department-sponsored policy does not go unchallenged, and that domestic opinion in the US and South Korea still has doubts over the utility of economic power to resolve the North Korean security problem. But KEDO marks a departure in Korean Peninsula and post-Cold War security policy away from military towards economic based conceptions of security policy. As a result, KEDO has also created new opportunities for Japanese policy-makers to conceive of using economic power to contribute in other areas to the stability of North Korea.

Chapter five examined in detail the nature and current condition of the North Korean economy and the areas in which it would be likely that Japan could use economic power to alter North Korea's security behaviour. This was made possible by the application of the model developed in chapters two and three and sought to provide the type of theoretical clarity often lacking in other studies but which is needed to evaluate the value of economic power as a tool of security policy. It concluded that in a number of areas Japan possesses direct economic power to offer positive and negative sanctions to North Korea, but that it is Japanese indirect economic power which would have the greatest security benefits. A partnership between the Japanese state and Japanese private business to engage North Korea and to integrate it economically into regional schemes such as the Tumen River Area Development Project and the Sea of Japan Economic Zone would, it was argued, help to stabilise and open up North Korea with positive benefits for security.

Chapter six went on to show that, despite this pool of direct and indirect power existing for Japan to mobilise in the service of security, as yet Japanese economic power has only been extended to North Korea to a limited degree, and that there is a gap between the perception of North Korea as a problem of economic power and the actual security policies that the Japanese state has used to address it. Detailed analysis of the internal policy-making process and the relation between the different actors reveals that, with regard to North Korea, policy has entered a state of 'drift' with very little impetus for the active economic engagement of North Korea. The politicians in this instance are wary of taking any initiatives to improve political and economic ties with North Korea due to domestic political upheavals and the past experience of damaging scandals associated with North Korea. For similar reasons the bureaucrats, and in particular the MOFA, are less than enthusiastic to engage North Korea at present. Meanwhile, the business community remains unconvinced of the investment opportunities in North Korea, and is unwilling to improve business links with the North until there is some kind of leadership from the Japanese state to improve the diplomatic ties.

Finally, overlaying the above domestic factors are the external pressures of South Korean opinion and the imperative of maintaining the US-Japan alliance. The Japanese government's decision to link Japan-North Korea dialogue to improvements in relations between the North and South has meant that since the early 1990's South Korea has come to exercise a virtual veto over Japan-North Korea normalisation initiatives. Moreover, South Korea's proposal for four-way peace talks in April 1996 further strengthened this hold over Japanese policy-making. Maintenance of the US-Japan alliance, though, has been the strongest influence on Japanese policy. The Japanese government's determination to follow US policy on North Korea has allowed Japan to begin to use economic power through the mechanism of KEDO. But at the same time, the disruption that North Korea has affected in the US-South Korea alliance, coupled with growing doubts about the US's presence in the region after the Cold War and the problems of US

bases on Okinawa, has meant that the foreign policy-making energies of the Japanese government have been directed primarily to repairing and redefining the US-Japan alliance.

Chapter six outlined how an essential part of this redefinition of the alliance has been the search for a new and publicly acceptable legitimacy for the US-Japan alliance. Even if uncertainty about the future of China can be imagined as one possible rationale for the alliance to be strengthened, it is clear that security planners in the Pentagon and Japan have decided that the safest course diplomatically and to satisfy domestic political opinion is to premise for the time being the US's presence in Japan and Okinawa on the military threat from North Korea. Although by most objective evaluations the North Korean threat has receded since 1994 and has shown that it can be addressed by means other than just military power, the US and Japan for political rather than military reasons *per se* have embarked on a series of measures to strengthen the alliance based on the legitimacy of the North Korean threat. These measures include TMD, ASCA, the new NDPO, the US-Japan Joint Declaration, the review of the 1978 Defence Guidelines, and research on a crisis management system. The ultimate outcome of Japanese policy-makers prioritisation of the maintenance of the US-Japan alliance is that, contrary to the seeming logic of the North Korean security problem, Japan's response to the North Korean threat has been up until now overwhelmingly military in nature. In other words, in the case of North Korea, Japan's policy-making process has taken on those immobilist characteristics described by J. A. A. Stockwin, as discussed in chapter six, and these have blocked Japan's activation of economic power for security policy purposes.

The review of the chapters makes it clear, then, that this dissertation has constructed and tested a complete theoretical model of economic power and security and global civilian power. This has been done by fusing Western and Japanese scholarship and applying the model to the case of Japan and Japan-North Korea

security relations. The model offers a way to expand theoretical understanding of the links between economic power and security in other security situations, and also suggests strongly the importance of combining Japanese and Western scholarship to look at other aspects of international politics. The dissertation has also succeeded in helping to overturn preconceptions about the nature of the North Korean security issue. It has shown that in many instances after the Cold War it is now necessary to discard simplistic views of security problems as either realist or liberal, and that in the post-Cold War era it is necessary to think of problems as in transition between the two, or perhaps of a substantially different and unknown nature that contains some elements of both schools of thought.

The dissertation in the course of investigating the reasons for Japan's non-functioning as a global civilian power has also added to empirical knowledge of the policy-making debate in Japan. This dissertation has been one of the first to look across the whole spectrum of the policy-making community and to elucidate how policy-makers conceive of post-Cold War security problems, and the development of Japanese security policy in this period. It has helped to reinforce those models of the policy-making process that give equal prominence to foreign pressure, politicians, bureaucrats, and big business, and supplemented knowledge gained from previous analyses of how they interact with each other. But the dissertation has also shown that the first and last of these actors can have a crucial veto over Japan's security policy producing the immobilist politics.

The current study has also been one of the first to examine the economic links between Japan and North Korea after the end of the Cold War, and to produce a comprehensive study of the North Korean nuclear crisis and Japanese security. Moreover, the dissertation has aimed generally to increase awareness of the understudied security problem of North Korea and to treat it as a one that needs to be addressed immediately by the regional powers if it is not be allowed to upset regional peace and stability.

In terms of the overall objectives concerned with the nature of security, the role of Japan as a global civilian power, and the lessons for international politics, how has this dissertation added to our knowledge? It is simplest to examine first the third objective which was concerned with the benefits for understanding security policy after the Cold War by combining different theories and by creating models for policy-makers to follow. The hope is that this dissertation has succeeded in demonstrating the value of this objective. As stated previously, an eclectic approach to security policy has enabled this dissertation to construct a model of economic power and security that can be tested empirically, and has opened up new possibilities to think about security after the Cold War. It has indicated that states are still the most important actors in security and that they can respond with economic power to the challenges of new types of security problems, but it has also shown that the global civilian power needs to cooperate with business corporations to achieve to the full its security ends. This type of flexible and innovative thinking about security is essential to assist both policy-makers and academics in understanding the post-Cold War security agenda, and could not have been achieved by following just one school of thought in international politics.

If the answer to the third objective or question is a clear affirmative, then, the answer to the second and third overall questions has to be more guarded. From the description given in the review of the conclusions of each chapter it is clear that the immobilism identified in the policy-making process and the limited extension of Japanese economic power in the case of North Korea casts doubt upon the question of whether economic power can function as a viable tool of security policy in the post-Cold War period. Indeed, it might be possible to ask whether the North Korean security problem and the changes that it has wrought in the US-Japan alliance are actually more likely to serve as the occasion for Japan's emergence, not as a global civilian power, but as a global military power. That the North Korean security problem has added further pressures for an incremental expansion of Japan's military role in the region and to support US global military strategy cannot

be denied. But it is arguable that the case of North Korea and the response to it by US, South Korean, and Japanese policy-makers confirms more than it queries the notion of the value of economic power in post-Cold War security policy. Certainly elements in the US policy-making community have pushed for Japan to increase its military support for the alliance using the pretext of the North Korean threat. However, the other side of the US's somewhat schizophrenic policy, as articulated by the State Department, has recognised the economic causes of the North Korean security problem, and has sought to deal with it on this basis. The Clinton administration has shown that despite problems such as the submarine incident of September 1996, it will not be deflected from a policy of gradual economic engagement with the North. This process of coaxing North Korea out of its political and economic isolation will be a long one, and will be fraught with difficulties. The North Korean regime is likely to continue to play a cat and mouse game with the international community and to try to gain economic concessions but without creating links of dependency. But however much North Korea may attempt to maintain this policy, the inexorable pull of economic power is likely to draw it into the international community and to moderate its perceived threat to regional security. Whether the North Korean regime can survive this process of reform and openness is an unknown quantity, but it is certain that military containment of North Korea is unlikely to resolve its and the region's security anxieties, and that the use of economic power is an option that will continue to be pursued by the US. The South Korean government will also probably be compelled to follow a policy of economic engagement. This policy is in the South's own interests unless it genuinely wants to attempt the task of absorbing a North Korean economy in a state of total collapse, and so bear the same types of economic costs that have almost been beyond the capacity of a state even as powerful as Germany. Hence, any final resolution to the North Korean security problem is likely to revolve around questions of economic power and this is the type of security policy that the US and South Korea will be forced to attempt.

Furthermore, there are signs at the time of writing this conclusion that the 'soft landing' policy may be beginning to work. The US's engagement of North Korea economically and diplomatically seems to have succeeded in quickly defusing the potential row between North and South Korea over the defection in February 1997 of the senior North Korean official, Hwang Jang Jop. Promises of food aid and the increasing, if only guarded and conditional, degree of trust established between North Korea and the US persuaded the former to agree finally to attend preliminary briefings on four-way peace talks in April 1997. Again this does not mean that North Korea has abandoned its diplomatic campaign to secure concessions and to ensure the survival of Kim Jong Il's regime. But at the same time, it shows that the North's security behaviour is slowly and almost imperceptibly being moderated by economic and political contacts with the outside world.

In this sense, then, security policy based on economic power can be seen to have had positive results for security in the post-Cold War period. The case of North Korea has shown that the use of economic power for security policy has the same political and economic complications as military power. But overall it confirms the importance of economic power for security and suggests that it can be used to deal with other post-Cold War security issues. There are perhaps few problems as complex as North Korea, but the type of economic cooperation extended by the US and its allies in the form of KEDO to North Korea could arguably be extended to other 'rogue' or unstable states that have emerged after the end of the Cold War; the example of Albania being the most obvious one at the time of writing. This type of policy has few instant benefits, but it may well be one more suited to the post-Cold War security environment than the construction of a new security order based on military power.

As for the second question of Japan as a new type of global civilian power in the case of North Korea, this still remains unanswered. At the time of the completion of this dissertation, Japan's role in using economic power to resolve the North Korea security problem remains limited and the internal policy-process remains

mired in immobilism. Indeed, fresh attempts to improve relations between Japan and North Korea in early 1997 seem to have been damaged by reports in the Japanese press which alleged that a Japanese citizen had been abducted by North Korea from Niigata Prefecture in 1977. Although a serious matter which deserves investigation, the sudden attention given to the incident twenty years later by certain researchers and sections of the media raises the suspicion that it was it was timed to coincide with the visit to Japan in February 1997 of Hwang Jan Yop, who was to defect later in the same month. The press reports forced the government to launch an investigation of the incident and planned meetings between LDP leaders and Hwang to discuss Japan-North Korea relations were cancelled. Yamazaki Taku, determined to maintain access to potential political funds from North Korea seems to have left the option of contacts open, but again attempts to improve relations between the two countries-the first step to Japan's extension of economic power to the North-seems to have been foiled by forces in the media and in other LDP factions.¹ In addition, the subsequent defection of Hwang after arriving in China on the way back from Japan seemed to portend another deterioration in North-South relations and thus Japan-North Korea relations.

But the present policy immobilism in Japan and the drift towards a military approach to security exploiting the threat of North Korea does not mean that in this instance the concept of global civilian power is redundant. As has been seen, the gloomy predictions of a worsening in North Korea-South Korea relations failed to materialise after the North Korea recognised the defection and announced its decision to attend preliminary briefings for the four-way peace talks. The outcome of the talks is uncertain, but the very fact of the talks taking place may provide the type of impetus to free the Japanese policy-making process from the external pressures that lead to immobilism and so produce new policy initiatives. Although, no radical improvement of Japan-North Korea relations can be expected in 1997, North Korea's participation in peace talks could also lead to improvements in

¹*Nihon Keizai Shimbun*, 7 February 1997, p. 2; 8 February 1997, p. 2.

Japan-North Korea relations. An improvement in the political and diplomatic climate between the two countries at the government level would then begin to lead to a growth in Japan-North Korea economic relations. It is in this type of situation, with an effective partnership between the Japanese state and Japanese business, that Japan could use its economic power more fully for security purposes to help restructure the North Korean economy and to integrate it into the region. Therefore, even though up until now Japanese policy has exhibited more dynamism in its military approach to North Korea, a sudden shift in the external and internal policy-making environment could lead to that dynamism being shifted to economic relations with North Korea. The case of North Korea, then, could still yet demonstrate that Japan's assumption of the role of a global civilian power in the post-Cold war era offers a practical alternative to conceptions of security policy based on military power.

Appendix

JAPAN-US JOINT DECLARATION ON SECURITY--ALLIANCE FOR THE 21ST CENTURY

(17 April 1996)

1. Today, the Prime Minister and the President celebrated one of the most successful bilateral relationships in history. The leaders took pride in the profound and positive contribution this relationship has made to world peace and regional stability and prosperity. The strong Alliance between Japan and the United States helped ensure peace and security in the Asia-Pacific region during the Cold War. Our alliance continued to underlie the dynamic economic growth in this region. The two leaders agreed that the future security and prosperity of both Japan and the United States are tied inextricably to the future of the Asia-Pacific region.

The benefits of peace and prosperity that spring from the Alliance are due not only to the commitments of the two governments, but also to the contributions of the Japanese and American people who have shared the burden of securing freedom and democracy. The Prime Minister and the President expressed their profound gratitude to those who sustain the Alliance, especially those Japanese communities that host US forces, and those Americans who, far from home, devote themselves to the defence of peace and freedom.

2. For more than a year, the two governments conducted an intensive review of the evolving political and security environment of the Asia-Pacific region and of various aspects of the Japan-US security relationship. On the basis of this review, the Prime Minister and the President reaffirmed their commitment to the profound common values that guide our national policies: the maintenance of freedom, the pursuit of democracy, and respect for human rights. They agreed that the foundations for our cooperation remain firm, and that this partnership will remain vital in the 21st century.

The Regional Outlook

3. Since the end of the Cold War, the possibility of global armed conflict has receded. The last few years have seen expanded political and security dialogue among countries of the region. Respect for democratic principles is growing. Prosperity is more widespread than at any other time in history, and we are witnessing the emergence of an

Asia-Pacific community. The Asia-Pacific region has become the most dynamic area of the globe.

At the same time, instability and uncertainty persist in the region. Tensions continue on the Korean Peninsula. There are still heavy concentrations of military force, including nuclear arsenals. Unresolved territorial disputes, potential regional conflict, and the proliferation of weapons of mass destruction and their means of delivery all constitute sources of instability.

The Japan-US Alliance and the Treaty of Mutual Cooperation and Security

4. The Prime Minister and the President underscored the importance of promoting stability in this region and dealing with the security challenges facing both countries.

In this regard, the Prime Minister and the President reiterated the significant value of the Alliance between Japan and the United States. They reaffirmed that the Japan-US security relationship, based on the Treaty of Mutual Cooperation and Security between Japan and the United States of America, remains the cornerstone for achieving common security objectives, and for maintaining a stable and prosperous environment for the Asia-Pacific region as we enter the 21st century.

(a) The Prime Minister confirmed Japan's fundamental defence policy as articulated in its new "National Defence Programme Outline" adopted in November 1995, which underscored that the Japanese defence capabilities should play appropriate roles in the security environment after the Cold War. The Prime Minister and the President agreed that the most effective framework for the defence of Japan is close defence cooperation between the two countries. This cooperation is based on a combination of appropriate defence capabilities for the Self Defence Forces of Japan and the Japan-US security arrangements. The leaders again confirmed that US deterrence under the Treaty of Mutual Cooperation and Security remains the guarantee for Japan's security.

(b) The Prime Minister and the President agreed that the continued US military presence is also essential for preserving peace and stability in the Asia-Pacific region. The leaders share the common recognition that the Japan-US security relationship forms an essential pillar that supports the positive regional engagement of the US.

The President emphasised the US commitment to the defence of Japan as well as to peace and stability in the Asia-Pacific region. He noted that there has been some adjustment of US forces in the region since the end of the Cold War, On the basis of a thorough reassessment, the United States affirmed that meeting its commitments in the prevailing security environment requires the maintenance of its current force structure of about 100,00 forward deployed military personnel in the region, including about the current level in Japan.

(c) The Prime Minister welcomed the US determination to remain a stable and steadfast presence in the region. He reconfirmed that Japan would continue appropriate contributions for the maintenance of US forces in Japan, such as through the provision of facilities and area in accordance with the Treaty of Mutual Cooperation and Security and Host Nation Support. The President expressed US appreciation for Japan's contributions, and welcomed the conclusion of the new Special Measure Agreement that provides financial support for US forces stationed in Japan.

Bilateral Cooperation Under the Japan-US Security Relationship

5. The Prime Minister and the President, with the objective of enhancing the credibility of the vital security relationship, agreed to undertake efforts to advance cooperation in the following areas.

(a) Recognising that close bilateral defence cooperation is a central element of the Japan-US Alliance, both governments agreed that continued close consultation is essential. Both governments will further enhance the exchange of information and views on the international situation, in particular the Asia-Pacific region. At the same time, in response to the changes which may arise in the international security environment, both governments will continue to consult closely on defence policies and military postures, including the US force structure in Japan, which will best meet their requirements.

(b) The Prime Minister and the President agreed to initiate a review of the 1978 Guidelines for Japan-US Defence Cooperation to build upon the close working relationship already established between Japan and the United States.

The two leaders agreed on the necessity to promote bilateral policy coordination, including studies on bilateral cooperation in dealing with situations that may emerge in the areas surrounding Japan and which will have an important influence on the peace and security of Japan.

(c) The Prime Minister and the President welcomed the April 15, 1996, signature of the Agreement Between the Government of Japan and the Government of the United States of America Concerning Reciprocal Provision of Logistic Support, Supplies and Services Between the Self Defence Forces of Japan and the Armed Forces of the United State of America, and expressed their hope that this Agreement will further promote the bilateral cooperative relationship.

(d) Noting the importance of interoperability in all facets of cooperation between the Self Defence Forces of Japan and the US forces, the two governments will enhance mutual exchange in the areas of technology and equipment, including bilateral cooperative research and development of equipment such as the support fighter.

(e) The two governments recognised that the proliferation of weapons of mass destruction and their means of delivery has important implications for their common security. They will work together to prevent proliferation and will continue to cooperate in the ongoing study on ballistic missile defence.

6. The Prime Minister and the President recognised that the broad support and understanding of the Japanese people are indispensable for the smooth stationing of US forces in Japan, which is the core element of the Japan-US security arrangements. The two leaders agreed that both governments will make every effort to deal with various issues related to the presence and status of US forces. They also agreed to make further efforts to enhance mutual understanding between US forces and local Japanese communities.

In particular, with respect to Okinawa, where US facilities and areas are highly concentrated, the Prime Minister and the President reconfirmed their determination to carry out steps to consolidate, realign and reduce US facilities and areas consistent with the objectives of the Treaty of Mutual Cooperation and Security. In this respect, the two leaders took satisfaction in the significant progress which has been made so far through the "Special Action Committee on Okinawa" (SACO), and welcomed the far reaching measures outlined in the SACO Interim Report of April 15, 1996. They expressed their firm commitment to achieve a successful conclusion of the SACO process by November 1996.

Regional Cooperation

7. The Prime Minister and the President agreed that the two governments will jointly and individually strive to achieve a more peaceful and stable security environment in the Asia-Pacific region, in this regard, the two leaders recognised that the engagement of the United States in the region, supported by the Japan-US security relationship, constitutes the foundation for such efforts.

The two leaders stressed the importance of peaceful resolution of problems in the region. They emphasised that it is extremely important for the stability and prosperity of the region that China play a positive and constructive role, and, in this context, stressed the interests of both countries in furthering cooperation with China. Russia's ongoing process of reform contributes to regional and global stability, and merits continued encouragement and cooperation. The leaders also stated that full normalisation of Japan-Russia relations based on the Tōkyō Declaration is important to peace and stability in the Asia-Pacific region. They noted that stability on the Korean Peninsula is vitally important to Japan and the United States and reaffirmed that both countries will continue to make every effort in this regard, in close cooperation with the Republic of Korea.

The Prime Minister and the President reaffirmed that the two governments will continue working jointly and with other countries in the region to further develop multilateral regional security dialogues and cooperation mechanism such as the ASEAN Regional Forum, and eventually, security dialogues regarding Northeast Asia.

Global Cooperation

8. The Prime Minister and the President recognised that the Treaty of Mutual Cooperation and Security is the core of the Japan-US Alliance, and underlies the mutual confidence that constitutes the foundation for bilateral cooperation on global issues.

The Prime Minister and the President agreed that the two governments will strengthen their cooperation in support of the United Nations and other international organisations through activities such as peacekeeping and humanitarian relief operations.

Both governments will coordinate their policies and cooperate on issues such as arms control and disarmament, including acceleration of the Comprehensive Test Ban Treaty (CTBT) negotiations and the prevention of the proliferation of weapons of mass destruction and their means of delivery. The two leaders that cooperation in the United Nations and APEC, and on issues such as the North Korean nuclear problem, the Middle East peace process, and the peace implementation process in the former Yugoslavia, helps to build the kind of world that promotes our shared interests and values.

Conclusion

9. In concluding, the Prime Minister and the President agreed that the three legs of the Japan-US relationship--security, political and economic--are based on shared values and interests and rest on the mutual confidence embodied in the Treaty of Mutual Cooperation and Security. The Prime Minister and the President reaffirmed their strong determination, on the eve of the 21st century, to build on the successful history of security cooperation and to work hand in hand to secure peace and prosperity for future generations.

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