

South Korean Identities in Strategies of Engagement with North Korea:

A Case Study of President Kim Dae-jung's Sunshine Policy

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Chapter Six. Case Study II: Hyundai's Mt. Kumgang Tourism Project

1. Introduction

This case study seeks to bring to light the interplay of multiple actors and their diverse ideas involved in a controversial cross-border tourism project implemented by Hyundai, one of the largest South Korean conglomerates, and their collective contributions to South Koreans' identity shifts vis-à-vis North Korea and inter-Korean economic integration. The inseparability between the Hyundai project and President Kim's Sunshine Policy raises the two conflicting questions: 'was the Hyundai project simply a brainchild of the Sunshine Policy?' or 'was it the Hyundai project that helped jumpstart the Sunshine Policy and rescued the initially ill-fated policy?'¹ These questions are reminiscent of the time-honoured query: 'What came first, the chicken or the egg?'

In fact, the strategic convergence of the Sunshine Policy and the Hyundai project made it possible for South Koreans to travel to North Korea for the first time in five decades of national division. Therefore, supporters of the Sunshine Policy shed light on the project's historical significance as a catalyst for trust building, reconciliation and economic integration between North and South Korea (Moon 1999; Kim and Yoon 1999; Koh 2001; Kim K.S. 2002), while its critics highlight the project's shortcomings in terms of transparency, reciprocity, market principles and financial viability (Tait 2003; Levin and Han 2002). The project's linkage to the process of organizing the historic inter-Korean summit in 2000 further compounded the debate and aggravated the polarization of opinions held by the competing political camps of South Korea. Also on hand was a dispute over whether North Korea had diverted Hyundai's cash remittances for military purposes (Levin and Han 2002; Niksch 2002). Despite the presence of these polarized views, however, the tourism project itself enjoyed strong, steady support by a majority of South Koreans (Cho 2002: 49).

Both uncertainty and puzzlement were the inevitable consequences of the Hyundai project that has, in fact, two faces: the benign face of a monumental peace project and the malign face of secret deals, bribery and bankruptcy. This duality led to the dilemma faced by both the policymakers and the general public in South Korea, since it was not easy to determine who should shoulder the financial burden to sustain the money-losing project and to what extent the project had contributed to inter-Korean

¹ For further information, see Kim and Yoon (1999) and Ko (2002).

rapprochement. Since inter-Korean relations have undergone momentous changes after the historic summit in 2000, it is virtually impossible to come up with a complete balance sheet regarding the project, if a balance sheet is meant to reflect both the cost-and-benefit calculations in the short term and its long-term contributions to tension reduction and the creation of a harmonized national community. The reason why its long-term contributions to national reconciliation matter is that the Hyundai project, inaugurated as a scheme by a private company, has become a semi-public project in which a state-run organization is in partnership with Hyundai and taxpayers' money has been earmarked to maintain it. Even though new President Roh Moo-hyun expressed his personal support of the project, its prospects are uncertain, since the project has been steered by various actors with different ideas and identities.

This chapter identifies the major actors, involved in this project, and sheds light on the interactions of these actors with different motivations and priorities. The ultimate aim of this chapter is to elucidate what prompted Hyundai to initiate the tourism project and to what extent it has contributed to the shift of South Koreans' identities vis-à-vis North Korea, the alleviation of cross-border tension, the realization of the first-ever inter-Korean summit meeting, and the promotion of inter-Korean economic integration. Therefore, this chapter will not only investigate Hyundai's tourism project, but also probe its relationship with major political and military incidents, such as the inter-Korean summit and the naval skirmishes in the West Sea in 1999 and 2002, in order to draw a complete picture of the project and its linkage to the Sunshine Policy. In sum, this chapter will demonstrate that South Koreans' collective identity shifts vis-à-vis North Korea, orchestrated jointly by the Kim administration and the top Hyundai management, and the maintenance of the political status quo by means of deterrence, renunciation of sanctions, and political dialogue, enabled South Korea to proceed on the path of economic engagement with North Korea.

This chapter will first offer a brief background of the tourism project and then test the three levels of comprehensive engagement, conceived in Chapter Three, against the milestone events of the Kim administration. First, it will outline the identity shifts of the South Korean leadership and general public vis-à-vis North Korea, which made the Mt. Kumgang project set sail and maintain its course despite the rough sea. Second, it will investigate military and political incidents, such as the West Sea naval skirmishes in 1999 and 2002 and the inter-Korean summit in 2000, to stress the Kim administration's efforts to maintain the political status quo on the Korean Peninsula. Third, it will examine Hyundai's investment in North Korea and its connection to the inter-Korean summit and economic integration. On the basis of these analyses, this chapter will

conclude with an assessment of how Hyundai's business schemes and President Kim's engagement strategies has contributed to inter-Korean institutionalization and federalization in a dialectic manner.

2. Background

Soon after South Korea was hard hit by an unprecedented financial crisis in East Asia, which started with the collapse of the Thai Baht in July 1997, President Kim took office in February 1998 with the prime mission of rescuing the state from acute economic troubles. From the outset, the Kim government faced inherent limitations in pursuing economic engagement with North Korea because of the 'constraints of limited economic resources' (Lee J.S. 2001). Nevertheless, the administration paved the way for the improvement of inter-Korean relations by revising the previous administration's North Korea policies, which were hampering civilian interactions. Citing the principle of the separation of economics from politics, the Kim government adopted its first major measures on 30 April 1998 to stimulate inter-Korean economic cooperation by lifting a ceiling on South Koreans' investment in North Korea and simplifying the process of trips taken by civilians to the North (Chung S.H. 2001: 29). These steps were taken soon after the collapse of the inter-Korean talks in Beijing where negotiators from the two Koreas clashed over the terms for the provision of fertilizer and the exchange of separated family members. As part of efforts to alleviate North Korea's scepticism about the nature of the Sunshine Policy, President Kim needed to introduce these conciliatory measures (ibid). Given the private sector's rising demands for more room to manoeuvre in inter-Korean business transactions, it was not easy for the government to dictate the terms of non-governmental interactions with North Korea (Park K.Y. 1999: 61).

Meanwhile, Hyundai's founder Chung Ju-yung, who had arguably built 'one of the most risk-taking chaebols' in South Korea (Lee G. 2001: 8), had visited Pyongyang as early as January 1989 and signed a contract with North Korean President Kim Il-sung on the joint development of the Mt. Kumgang area. North Korea's attention to the project dates back to 1981 when the late North Korean leader first mentioned the necessity of developing Mt. Kumgang as a major tourist attraction for foreigners during his inspection tour of the resort area (Ko 2002). Kim's attention to the tourism project stemmed from his idea of developing North Korea's scenic landscape to earn hard currency, as Cuba did by opening its attractions to foreign tourists (ibid). North Korea established the Kumgangsan International Tourism Company in January 1988, but its independent scheme failed to attract a large number of foreign tourists to the Mt. Kumgang resort (KNTTO 2001). Despite its fear that Hyundai's Mt. Kumgang project

might become a Trojan horse, North Korea had shown deep interest in the Hyundai project, since it could earn hard currency with a limited opening of the Mt. Kumgang area to South Korean and foreign tourists despite its poor tourism infrastructure. Nevertheless, the project made no progress in an adverse international and domestic environment for the next ten years.²

With the inception of President Kim's Sunshine Policy, Chung's vision came closer to realization. He travelled to North Korea on 16 June 1988 via the truce village of Panmunjom with a convoy of trucks carrying 500 cows. The donation of these 500 cows and 50 trucks was one of Hyundai's preparatory steps to win the hearts of North Korean policymakers before securing their authorization for the Mt. Kumgang tourism project (Chung Y.S. 1999). In October 1998, Hyundai³ and its North Korean business partner, the Korean Asia-Pacific Peace Committee (KAPPC), signed a contract on the tourism project, which enabled the first South Korean pleasure boat to leave for the North Korean resort on 18 November.

In return for its exclusive rights to operate the tour programme, Hyundai promised to pay US\$942 million to North Korea in monthly instalments until 2005.⁴ The terms of the contract were nonsensical from a business standpoint since Hyundai promised to pay \$300 per person as an entrance fee and remit \$942 million by 2005 no matter how many people travelled to the mountain resort (Lee J.S. 2001). As the break-even point was an annual visit of 500,000 people, the South Korean business community was sceptical over the success of the project from the very beginning. However, Hyundai could partially compensate its losses from other benefits bestowed by the South Korean government in the form of the relaxation of Seoul's restructuring of the domestic political economy in the wake of the East Asian financial crisis and pressure from the IMF. Hyundai emerged as the largest business entity among the rival South Korean conglomerates in terms of sales volume after taking over Kia and Asia Motors, Hanhwa Energy and LG Semiconductors by early 1999, thanks to the government's preferential treatment 'in the process of *chaebol* restructuring' (*Maeil Economic Daily*, 8 January 1999; Kim and Yoon 1999: 120).

² Hyundai faced troubles under the Kim Young-sam administration since the Hyundai founder established a political party and joined the presidential race in 1992, eroding President Kim's support base (Lee W.S. 2003: 62).

³ The Hyundai Group established Hyundai Asan Corporation on 5 February 1999 as a subsidiary specializing in inter-Korean economic cooperation projects, including tourism, the establishment of an industrial park, the improvement of North Korea's infrastructure, and sports and culture exchanges.

⁴ Under the scheme, Hyundai was set to pay US\$25 million monthly for five months until May 1999, and US\$72 million in nine monthly instalments of US\$8 million from June 1999. In the last five years, Hyundai was scheduled to pay a total of US\$720 million in monthly instalments of US\$12 million.

With the Kim administration struggling to create a channel of government-level dialogue with North Korea, Hyundai, which had already built tight human and business ties with North Korean officials, was in an ideal position to broker inter-Korean dialogue. The process of organizing a summit, however, was conducted under watertight secrecy and outright deception of the public. Chong Wa Dae Chief of Staff Park Jie-won told the National Assembly in October 2002 that neither a South Korean company nor a civilian, let alone the Seoul government, had sent a penny to Pyongyang in connection with the summit (*Yonhap News Agency*, 6 October 2002). In fact, the nature of the US\$450-million cash transfer by Hyundai to North Korea in the run-up to the historic summit is one of the most delicate parts of the Sunshine Policy. President Kim stepped down after his five-year tenure in February 2003, somewhat disgraced after the cash-for-summit scandal. An independent counsel, appointed by President Roh against the wishes of President Kim, concluded that Hyundai's remittances of US\$450 million to North Korea, made shortly before the summit and facilitated by Seoul's policymaking elite, were linked to the summit meeting, even though they were commercial payments for Hyundai's seven infrastructure projects in North Korea.⁵ Besides the US\$450 million, Hyundai agreed to build a stadium in Pyongyang, worth US\$50 million, in the process of helping organize the summit, bringing the total sum to US\$500 million. This controversy tarnished the image of the first-ever inter-Korean summit and provoked soul-searching in South Korean society regarding the most desirable way to engage North Korea.

3. Three Levels of Comprehensive Engagement

Hyundai conceived the idea of the Mt. Kumgang tourism project and pushed it throughout the five-year period of the Kim administration, partly due to its unyielding corporate culture. Nevertheless, the South Korean business group was not an independent driving force of the project. Since its inception, the Kim government was both a covert as well as overt supporter of Hyundai, as it created a favourable environment for the project through the prevention of military crises and provision of financial assistance. On top of that, the project was a catalyst for South Koreans' identity shifts vis-à-vis North Korea, which in turn helped maintain the process of inter-Korean rapprochement. In this respect, the Hyundai project vividly illustrates the dialectic process of this thesis's proposition of three-level comprehensive engagement:

⁵ Hyundai's seven projects in North Korea, comprising electricity, communications, railways and highways, an airport in Tongchon, a dam on the Imjin River, the development of water resources on Mt. Kumgang, and the development of tourist attractions, will be analyzed in detail later in this chapter.

identity shifts, the status quo and integration.

3.1. The Domestic Level: identity shifts

An activist government, identified in Chapter Three, can be expected to make all-out efforts to shift the public's identities vis-à-vis the enemy state to facilitate the process of comprehensive engagement. In this sense, the Mt. Kumgang resort was not simply a new, exotic tourist destination for South Koreans, but a live theatre where visitors could see real North Korean soldiers on duty, talk with North Korean guides using heavy provincial dialects, view the display of North Korean slogans and propaganda engraved on the rocky mountains, and, most of all, witness the reality of division and the possibility of future rapprochement between North and South Korea. The project produced an educational effect for South Koreans who had been indoctrinated for decades by anti-Communist governments in South Korea without having had any chance to experience what North Korea was really like. In an interesting survey by Kyungnam University's Institute for Far Eastern Studies (IFES) (1999), South Koreans who had been to Mt. Kumgang showed much more favourable response to the tourism project's contribution to inter-Korean exchange and tension reduction than those who had never been there.⁶ In sum, the tourism project could be viewed as having improved the South Korean visitors' understanding of North Korea, helping them to shift their attitude positively to the tourism project and other inter-Korean cooperation projects. Since a rising number of South Koreans were visiting the North Korean resort, the foreseeable outcome might be an ever-increasing South Korean population positively identifying with North Korea, which would become the driving force for the future process of inter-Korean rapprochement. This section will first identify what policy-relevant ideas had been raised in connection with the tourism project and then proceed to investigate how South Koreans' identity shifts made the tourism project possible.

3.1.1. Ideas

As observed in Chapter Three, a number of scholars analyzed the Sunshine Policy from the perspectives of functionalism or its neo-functional variants, since the harsh political and security conditions on the Korean Peninsula compounded the difficulty of North and South Korea squarely addressing political and military issues in the absence of trust. In particular, those analyses were focused upon the central metaphors of functionalism's

⁶ According to the survey, 62.8 per cent of ordinary respondents said that the tourism project made a positive contribution to inter-Korean exchanges. Among those who had travelled to Mt. Kumgang, 71.92 per cent responded positively, while only 53.5 per cent among those who had not been there showed positive reactions to it.

separability thesis and neo-functionalism's spill-over effects, but both of them failed to give full recognition to the idea of *spill-back*, which is a disintegrative process taking place when actors try to downgrade their commitment to earlier agreements. The Kim administration desired spill-over effects from one area to another, while authorizing Hyundai to launch the mammoth tourism project. Nevertheless, what made the Sunshine Policy maintain momentum was the Kim administration's endeavour to prevent the process of spill-back. Since spill-back is less costly in an early stage due to low sunken costs (Schmitter 2002), the Kim administration and Hyundai needed to tie down North Korea from any possible defection from the early stage of engagement. While lifting restrictions on South Korean investment in North Korea and conceiving projects for the modernization of the infrastructure in the North with Hyundai, the Kim administration authorized the conglomerate to send a huge amount of cash to North Korea. Since economic engagement could bring about only limited effects, the Kim administration also resorted to ideational factors by projecting South Korea as the 'reference society' for North Korea, on the one hand, and invoking nationalism as a centripetal force, on the other.

Spill-Over Effects and Separability Thesis. Hyundai's role in the inter-Korean summit of 2000 illustrates the classic neo-functionalist metaphor of spill-over, which refers to the process whereby 'a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth' (Lindberg 1963: 9). When Hyundai planned to further expand its role in North Korea after embarking on the Mt. Kumgang tourism project, it needed to secure government-level guarantees for the massive investment to come, since there existed no institutional safety nets for cross-border transactions and protection of investment (Lee W.S. 2003).

Yang Sung-chul (1999: 184) noted that, under the policy's principle of the separability of politics and economics, the Kim government tried to keep the project on track against all odds, turning it into an example of cumulative achievements in inter-Korean relations and getting over 'the Sisyphean dilemma'. In fact, the initial arrangement of the Hyundai project was a test case for the Sunshine Policy's separability thesis, which is based on the idea that 'politics are separate from economics, civilian contacts from government transactions, short term from long term, and the controversial from the less controversial' (ibid: 183).

Nevertheless, it is questionable whether the Seoul government was abiding by functionalism's separability thesis. According to the prosecutors' investigations and

court trials, the link between the Kim government and Hyundai was so close that it could be seen as an example of collusion between the government and a private company. As Carr (1946: 113-20) noted, the notion of the 'separation of economics from politics' is ridden with illusions and fallacies, since both are intrinsic in a state's portfolio of power and thus destined to be used in a concerted manner. In sum, the Kim administration played various roles in supporting the Hyundai project: a trailblazer (by getting rid of all legal obstacles to interaction with North Korea), a financier (by offering government funds to bail out troubled Hyundai subsidiaries), and a guarantor (by designating government agencies as Hyundai's business partners).

Regardless of whether it was an example of South Korea's once notorious collusion between the political and business circles, intact despite the 'IMF stipulations' (Steinberg 1999: 70), the Hyundai project was the outcome of the harmony between state interests and business interests. On the one hand, the Kim government sought to open North Korea to the outside world in order to inject the fresh dynamics of the market economy into the crippled socialist system, while the subsidiaries and executives of the Hyundai Group, on the other, moved to monopolize all major development projects in North Korea as part of its corporate strategy of exploiting an emerging market and as part of an internal succession battle for the leadership of the Hyundai Group, namely, the attempt to seize control of the conglomerate from the aging founder, who held a special propensity towards monumental projects in his hometown, Tongchon, now in North Korea, before his death.

The Kim administration secured priceless dividends from the Hyundai project, since it has been arguably praised as one of the flagship projects of the Sunshine Policy (Niksch 2002). In addition, the role of inter-Korean liaison, played by Hyundai, was decisive in organizing the first inter-Korean summit, while the tourism project itself helped South Koreans to gain a closer look at North Korea and ameliorate the enemy image held of it.

'Reference Society' and Nationalist Zeal. While working to lay the groundwork for inter-Korean exchange and cooperation, President Kim and his advisors endeavoured to project South Korea as a 'reference society', since it had achieved remarkable economic growth as a champion of 'democracy and market economy' (Cronin 1999: 286; Kang I.D.1999: 13). In his Berlin Declaration (Appendix VIII), issued during a visit to the German capital in March 2000, President Kim noted:

The 20th century also saw the Soviet and East European system crumble, the

50-year Cold War dismantled, and the two Germanies integrated. The remaining Communist countries of China and Vietnam have introduced a market economy and are attempting reforms and changes. To the Republic of Korea, China and Vietnam are no longer hostile countries. In fact, they have become very good friends as well as partners in economic cooperation.

Citing President Kim's analogy of his policies to US strategies towards Communist states during the Cold War, Unification Minister Kang In-duk (1999: 13)⁷ noted: 'The superiority of the South lies not in advanced-technological weapons, but in its affluent society where the people can enjoy quality of life, economically, socially, and culturally'.

President Kim also made use of the nationalist zeal that was a driving force in binding together the Korean nation, which had been suffering the territorial and ideological divide, and promoting 'the Korean people's assertion of their right to be the master of their own destiny and to solve their problems with their own hands' (Koh 2001: 339). According to a survey by the Korea Development Institute (KDI), 50 per cent of South Korean companies engaging in business with North Korea acknowledged that their motivation was not direct profit generation, but rather humanitarian and nationalistic considerations (Tait 2003: 312). Hyundai, the largest conglomerate in South Korea when President Kim started his five-year tenure, did not embark on the project based on pure cost-benefit calculations. Suh Dae-suk (1999) contends that the Mt. Kumgang project was not motivated by a private company seeking to net profits through short-term transactions, but by an entrepreneur who was ready to sacrifice his short-term investment for national reconciliation with a long-term vision of compensating the losses from the ramification of other cooperation projects with North Korea. As the only area on the Korean Peninsula where North and South Koreans are able to mingle, the Mt. Kumgang resort was transformed into a venue for a series of inter-Korean and pan-national events, such as the minister-level talks, Red Cross talks, temporary reunions of separated families, students representatives' meetings, labour leaders' workshops and women's rallies (*Hankyoreh*, 26 August 2003; *Kukmin Ilbo*, 26 November 2003). This process of improved relations is symbolized by the decision, taken by representatives of the two Koreas during the fifth Red Cross talks on 6 November 2003, to build a permanent meeting place for separated families at the Mt.

⁷ Kang, a former KCIA official known as a conservative specialist on North Korea, was apparently appointed as unification minister by President Kim as a political cover for his engagement policies. Despite his ideological propensity, Kang pursued progressive policies in tandem with the Sunshine Policy (Chung Y.S. 1999).

Kumgang resort (*Kyunghyang Shinmun*, 7 November 2003).

3.1.2. Identity Shifts

With the resources committed and the risks taken, the Kim administration and Hyundai were poised to embark on a project to alleviate the deep-seated animosity of South Koreans towards North Korea. During the Cold War, it was unthinkable for South Koreans to visit North Korea, a land of enemies, for travel purposes, and the negative perception, as well as legal and procedural obstacles, persisted even after the Cold War. In particular, President Kim Young-sam's North Korea policies, notorious for their inconsistency, ruined the atmosphere for government-level dialogue amid a controversy over whether to send a delegation to mourn at the funeral of North Korean leader Kim in 1994, as touched on earlier. Nevertheless, the inauguration of South Koreans' tour to Mt. Kumgang was possible on 18 November 1998, only nine months after President Kim took office. What exactly happened during this short span of time? What made it possible for South Koreans to travel to the land of their adversaries without feeling any danger to their lives?

To answer those questions, it is necessary to focus on a series of political initiatives and dramatic events, which contributed to South Koreans' remarkable identity shifts vis-à-vis the North. The South Korean leadership apparently realized that the cash-strapped North Korean government could open Mt. Kumgang to South Korean tourists and offer security guarantees to visitors to attract as many tourists as possible. Nonetheless, this might have been impossible, were it not for the fact that Hyundai had organized special events before embarking on its new adventurism to realize an unprecedented cross-border trip by pouring all available corporate energy and resources into the Mt. Kumgang project.

Rituals for Identity Shifts. As a human collectivity, a nation needs rituals to foster nationhood, since the creation of nations as 'imagined communities' requires public rituals and mass mobilization (Gellner 1983; Benedict 1991; Erikson 1977). In the wake of the inter-Korean summit of 2000, one of the most spectacular events embodying national reconciliation was North Korea's participation in the Asian Games, held in the South Korean port city of Pusan in September 2002 during which the presence of hundreds of North Korean athletes, cheer leaders and journalists stole the limelight from the sports festival (Kang S.S. 2003: 41).

Hyundai, which wanted to win Chairman Kim's personal guarantees on its tourism project, as well as the attention of South Koreans, organized a large-scale

publicity event on 16 June 1998 in the form of Hyundai honorary chairman Chung's trip to North Korea along with a convoy of 50 trucks carrying 500 cattle via the truce village of Panmunjom, a symbol of national division. As Chung's trip and transportation of cows were realized through Panmunjom and North Korea organized a red carpet welcome for Chung and his entourage, the event received unprecedented media attention in South Korea.⁸ KAPPC Vice Chairman Song Ho-gyong did not fail to mention that Chung's trip via the truce village was possible thanks to Chairman Kim's special hospitality towards the old tycoon, born in North Korea (*Yonhap News Agency*, 23 June 1998).⁹ On the last day of Chung's eight-day trip, which included a trip to his hometown near the Mt. Kungang resort, Hyundai and its North Korean business counterparts, KAPPC and the Association for National Economic Cooperation (ANEC), signed three documents on the Mt. Kungang tourism project.

When Chung visited Pyongyang with a second batch of 501 cattle four months later,¹⁰ Chairman Kim made an unannounced visit to Chung's Baekhwawon State Guest House on 30 October and held a 45-minute meeting with him, an event that demonstrated the North Korean leader's special attention to the Mt. Kungang project. Recalling the event, Chung once lauded Kim as a 'General of filial piety and courtesy' (Chung Y.S. 1999). It was the first time that the North Korean leader had ever met a South Korean businessman after the death of his father in 1994. According to the verbatim of the meeting, revealed by Hyundai executives present at the meeting, Chung requested Chairman Kim's special attention to Hyundai's Mt. Kungang and Kaesong industrial park projects, while Chairman Kim instructed the Workers' Party Secretary and KAPPC Chairman Kim Yong-sun to offer full cooperation to Hyundai (*Chosun Ilbo*, 2 November 1998). As the North Korean leader's instructions carried unrivalled authority in North Korea, Chung had endeavoured to secure Kim's personal endorsement of Hyundai's projects rather than the signing of any official document. Another notable feature of the Kim-Chung meeting was that the North Korean leader

⁸ French culture critic Guy Sorman called it 'the last avant-garde art of the twentieth century' (Lee W.S. 2003: 63).

⁹ When Chung visited North Korea in 1989, he travelled to Pyongyang via Beijing. North Korea has maintained reservations regarding the use of Panmunjom as a site for conferences or as a transit point, noting it is a symbol of national division.

¹⁰ Originally, Hyundai agreed to send 1,000 cattle to North Korea. According to a Hyundai executive, however, honorary chairman Chung ordered the donation of 1,001 cattle, since the last digit, 0, could mean an end to inter-Korean relations and the number, 1, symbolizes a fresh start of inter-Korean relationship (*Chosun Ilbo*, 17 June 1998). As for his choice of cattle, Chung left his hometown in North Korea in 1933 after stealing the money from the sale of a family cow and headed to the South with the idea of becoming a lawyer. Chung wished to pay back the debt by donating 1,000 cattle (*Munwha Ilbo*, 16 June 1998).

had exhibited special kindness to Chung by mentioning that he decided to visit Chung's guesthouse for the convenience of the old businessman. Kim also showed his respect to Chung by placing him at the centre, when they took a commemorative photo after the meeting. All these paraphernalia of Chung's visit to Pyongyang were reported to the South Korean public by all South Korean newspaper and television companies, creating a certain degree of shift in South Koreans' perception of the North Korean leader.¹¹

Risk-Taking as a Means of Engagement. For an activist government with profound knowledge of North Korea, calculated risk-taking was one of the options to consider in the absence of any ground rules in inter-Korean interactions. One of the underlying reasons that made possible the inauguration of the tourism project, a project unimaginable at the time of inter-Korean animosity, was the non-interference of the South Korean government, which authorized the Hyundai tourism project without government-level guarantees for the safe passage of South Korean travellers. The only legal document guaranteeing their safe passage was North Korean Social Security Minister Paik Hak-lim's letter, sent to Hyundai on 9 July 1998, but the vaguely worded document did not contain detailed procedures for the settlement of disputes involving South Korean tourists (Lee J.H. 1999). Initially, the South Korean government sought to create an agreement on safe passage between the North Korean ministry and the South Korean Ministry of Government Administration and Home Affairs (MOGAHA). On 7 September, Unification Minister Kang noted that the operation of a pleasure boat would not be authorized without an agreement detailing the safe passage of South Korean tourists (*Chosun Ilbo*, 20 November 1998). Nevertheless, the South Korean government dropped the precondition and allowed Hyundai to start the tourism project without government-level agreement (Chung Y.S.1999). The tour programme involved sources of dispute regarding, for example, who would secure the custody of South Korean tourists should they violate North Korean laws during their stay at the resort. When a South Korean tourist was detained by North Korean authorities for allegedly attempting to induce a North Korean guide to defect to South Korea, the tour programme was temporarily suspended, forcing Hyundai and its business counterpart, KAPPC, to launch discussions on safety measures (Kang I.D. 1999). However, no government-level

¹¹ In South Korea, such Confucian values as 'filial piety' and 'respect' remain strong in spite of the process of rapid modernization. Under the military regimes, however, South Koreans were indoctrinated to believe that North Korea had built a state devoid of these values. In particular, Kim Jong-il had a reputation as a spoiled playboy. By witnessing Kim's attitude and behaviour during Chung's trip to North Korea, South Koreans came to realize that the North Korean system and its leader Kim continued to share the same values in spite of national division.

agreement was established until after the end of President Kim's five-year tenure.¹²

The Kim administration's policy was a major departure from the previous administration's anti-North Korea policy. When a North Korean submarine was grounded off Kangnung, Kangwon Province, in September 1996 and a massive manhunt for the North Korean commandoes on board took place, President Kim Young-sam announced the suspension of all inter-Korean cooperation projects, including the construction of two LWRs in North Korea, and called on North Korea to apologize and promise not to repeat the same provocation. After three months of tense standoff, North Korea issued an apology and promised to prevent the recurrence of similar incidents, which made the Seoul government lift its sanctions regarding the LWR project.

The pinnacle of the South Korean government's bold approach was President Kim's trip to Pyongyang, which led to Chairman Kim's surprise appearance at the Pyongyang airport to receive President Kim with a huge crowd of North Koreans greeting his arrival. Even though the inter-Korean summit served as a stabilizer of Hyundai's business transactions, President Kim's trip to Pyongyang itself was decided upon amid deep uncertainties regarding President Kim's detailed itinerary, as well as the format¹³ and agenda¹⁴ of the summit. Most of all, Kim decided to visit what was regarded under the South Korean Constitution as a renegade regime which had tried to assassinate former South Korean presidents, Park Chung-hee and Chun Doo-hwan, by sending a group of commandoes to the presidential residence and blowing up half of the South Korean cabinet ministers in Rangoon, as touched on in Chapter Four.¹⁵ Only one year had passed since the two Koreas engaged in fierce naval skirmishes in the West Sea.

Western diplomats warned that the summit and South Koreans' excessive expectations might bring the South Korean political or business elites to make irrational decisions possibly in the form of funnelling aid to North Korea to rescue its moribund economy without significant measures for the reduction of tension, which might in turn cripple the South Korean economy (*New York Times*, 13 June 2000). In terms of market

¹² Under the Roh Moo-hyun government, the two Koreas reached a governmental-level agreement on 29 January 2004 to create the first institutional guarantee on the safe passage of South Korean visitors to Mt. Kungang and the Kaesong Industrial Park (*Yonhap News Agency*, 29 January 2004).

¹³ President Kim travelled to Pyongyang without securing North Korea's commitment to organizing a summit with Chairman Kim, since the head of state, who represents North Korea overseas under the Constitution, was Kim Yong-nam, president of the standing committee of the Supreme People's Assembly (Lee W.S. 2003: 96).

¹⁴ As shown in Chapter Five, it is impossible in preliminary talks between working-level officials to finalize the agenda and fine-tune all steps to be agreed upon during the summit, if the summit partner is the leader from an authoritarian state.

¹⁵ For more information on North Korea's attempts to assassinate South Korean presidents, see the NIS homepage, <http://www.nis.go.kr/eng/security/issue05.html> (accessed 15 March 2004).

principles, the South Korean government and Hyundai condoned North Korea's ignorance of international trade practices, thus failing to provide 'on-the-job training' regarding the capitalist system (Tait 2003: 328). Nevertheless, South Korean officials were adamant that there was no alternative to the engagement option. The South Korean government's authorization of the cash payment, which was an enormous sum given the financial crisis, required President Kim's political calculation and obsession with the success of his Sunshine Policy (Chung Y.S. 1999). As for the possible transfer of Hyundai's remittances to military purposes, Suh Dong-man (1999) and Park Kun-young (1999) argued that the suspicion was created as a result of the prevailing Cold War mentality and classification of North Korea as an enemy state, adding that the allegation was irrelevant because North Korea could afford to build up its military without Hyundai remittances.

General Public's Identity Shifts. As demonstrated above, the Mt. Kumgang project was a symbol of the South Korean government's consistency and bold policy initiatives, since it tried to maintain the tourism project despite North Korea's provocations, including a submarine infiltration and the naval skirmishes in the West Sea (Suh D.M. 1999). Even after the West Sea military clash, the South Korean government showed a determination to operate the Mt. Kumgang tourism project without interruption and held vice ministerial-level talks as scheduled to discuss the shipment of fertilizer (Chung Y.S. 1999). The maintenance of an engagement option by the government was, in fact, possible since South Korean citizens were not gripped by a sense of crisis. Despite the military crises in the West Sea, South Koreans did not cancel their trip to the resort area, enabling Hyundai to keep cruise ships in normal operation in the East Sea. This is further evidence of South Koreans' identity shifts vis-à-vis North Korea. In contrast, during the nuclear crisis in 1994, a large number of South Koreans panicked in anticipation of a war on the peninsula and stockpiled emergency supplies of food and daily necessities.

The desire of South Koreans to maintain the tourism project, despite North Korea's military provocations and Hyundai's financial difficulties, was evident in a series of opinion surveys conducted during President Kim's five-year tenure.¹⁶ These

¹⁶ In a poll of 1,000 South Korean tourists to Mt. Kumgang (1 May 1999), commissioned by the MOU and conducted by Research and Research, 80.3 per cent responded favourably to the project, while 76.2 per cent noted that their experiences in the mountain resort helped them understand North Korea better (ACDPU 1/4 2002). In another survey by ACDPU (20 August-30 September 1999), 80.5 per cent noted that the tourism project made contributions to the opening of North Korea and the improvement of inter-Korean relations (ibid). In a special opinion survey by ACDPU on the occasion of the second anniversary of the Kim government (14-9 February 2000), the Mt Kumgang project topped the list of the Sunshine

polls showed overwhelming support, often at the level of three-quarters of those surveyed. Nevertheless, the results of these opinion surveys were conflictual, especially as to the question of who should play the major role in the tourism project, since Hyundai faced financial troubles in carrying on the project.¹⁷

North Korea's Attitudinal Change. As observed in Chapter Three, the dynamics of identity shifts, resulting from the positive interactions between the formerly antagonistic states, is a process of mutual reinforcement. North Korea, which had seen successive South Korea governments as nothing more than puppet regimes of the United States, clearly showed indications of identifying South Korea as a more independent player in international politics after President Kim's inauguration.¹⁸ When South Korean tourists were visiting the North Korean mountain in the middle of the US-North Korea standoff over the HEU programme after October 2002, Bang Jong-sam, head of the Mt. Kumgang International Tourism Company, contended: 'The nuclear issue is between us and the US. There is no reason for South Korea to get involved. This is just a tour group. Don't bring politics into it' (*New York Times*, 14 February 2003).¹⁹ *The Choson Sinbo* (2 April 2003), an organ of the pro-Pyongyang General Association of Korean Residents in Japan, described the Mt. Kumgang project,

Policy's best achievements with 33 per cent of respondents selecting it (ibid). In another survey (19-20 June 2001), commissioned by the MOU and conducted by Research and Research, 65 per cent supported the maintenance of the project, while 78.2 percent expressed a willingness to travel to the mountain, when an overland route to the resort is available (ACDPU 1/4 2002). In a special survey on the Mt. Kumgang project (20 January-4 February 2002), commissioned by the Citizens' Coalition for Economic Justice and conducted by Best Research, 75.0 per cent responded favourably to the project, while 13.6 per cent reacted negatively (ibid). Asked whether the project made a contribution to the improvement of inter-Korean relations, 48.8 per cent responded positively while, 20.9 per cent reacted negatively.

¹⁷ A survey, conducted by *Joongang Ilbo* (26-30 December 2002), indicated that 50.2 per cent of respondents said the private sector should run the project, while 33.1 per cent noted that the government should take it over (ACDPU 4/4 2002). In another survey (1-9 February 2002), commissioned by the Hyundai Research Institute and conducted by Cosmo Research, 64 per cent said it is desirable for the government to keep supporting the project, while 23.0 per cent noted the government should stop funding it (ACDPU 1/4 2002). Finally, in a survey (22-4 May 2002), conducted by the Hyundai Research Institute, 63.0 per cent noted that the tourism project is tantamount to inter-Korean confidence-building measures, while 37.0 per cent said that the project should be pursued out of economic calculations (ACDPU 2/4 2002). Other surveys stressed the joint roles of the government and Hyundai. In a survey (4-5 June 2001), for example, 67.2 per cent noted that it is desirable for the Seoul government and Hyundai to jointly implement the project and turn it into a project of public nature (ACDPU 1/4 2002). Among the respondents, 14.7 per cent noted that the government should take up the project, while 18 per cent favoured Hyundai's independent operation of the project.

¹⁸ North Korea's shifting identity, expressed in the form of *minjok kongjo* (coordination as the same nation), has already been discussed in Chapter Four.

¹⁹ The official was at the Mt. Kumgang resort to celebrate the first regular land crossing of the buffer zone for tourism purposes since the division of the peninsula. Before the opening of the land crossing, Hyundai's pleasure boats were the only means of transportation for South Koreans travelling to the mountain resort.

which enabled more than 500,000 South Koreans to visit the mountain resort, as an example of inter-Korean civilian exchanges, as well as a symbol of improving inter-Korean relations. When the Mt. Kumgang project faced difficulties because of Hyundai's accumulating deficits, North Korea even showed a willingness to authorize the introduction of an overland tour to the resort and the designation of a special tourism zone (Lee W.S. 2003).

Critics of the project noted that human contacts were originally ruled out because South Korean tourists are supposed to tour only scenic areas fenced in by barbed wire which would completely cut them off from contact with North Korean villagers. However, the supporters of the project indicated the changing perception and attitude of North Koreans living in the vicinity of the Mt. Kumgang resort in the wake of the inauguration of the tour project, even though North Korea recruited ethnic Koreans from China to serve as vendors, drivers, and cooks to prevent North Korean residents from making direct contact with South Korean tourists (Kim P.R. 1999: 23).

Though limited, North Korea also implemented measures to follow in the footsteps of China and Vietnam and emulate South Korea's economic success. Amid inter-Korean rapprochement, North Korea adopted measures to revamp its socialist economic system and experiment with the capitalist system, which could be seen as a process of inter-Korean homogenization. On 1 July 2002, North Korea abandoned a 50-year-old system of rations and fixed prices while introducing a set of comprehensive economic reforms: 'a substantial increase in both prices and wages; a shift in the price-fixing mechanism; changes in the distribution system; decentralization of national planning; an increase in the autonomy of enterprise management; the opening of the distribution market for production methods; differentiated distribution; and a social security system reform' (Hong 2002: 93). The experiment with free market systems came after the government stopped subsidizing many state-run companies to distribute food, clothing and housing to its population of 22 million (Kim Y.C. 2003). However, the new reform scheme was met with a mixed reception, with some interpreting it as North Korea's first major step toward the market economy and others dismissing it as a 'band-aid approach' to complement the current planned economy (ibid). Even though North Korea is still far from becoming an open society, some scholars see these steps as the outcome of 'a decade of patient engagement by South Korea and the United States' (Kang D. 2003b: 503).

Lingering Cold War Identities. In spite of the general public's increasingly positive attitude towards North Korea, South Korea's conservative political circle and

media remained as staunch opponents of President Kim's comprehensive engagement. The opposition GNP raised critical voices regarding almost all inter-Korean projects, pushed by the Kim administration, including the Mt. Kumgang project (KINU 2000b). Before the start of the tourism project, 125 National Assemblymen, headed by hawkish GNP Rep. Kim Yong-kap, formed a parliamentary group in September 1998 with the aim of thwarting the project. They called on the administration to put off the project until North Korea agreed to set up a permanent meeting point for family reunions, apologized for the infiltration of a submarine, took action to prevent the transfer of tourist fees to military purposes, reduced the tourist fees, and opened an official meeting to guarantee safe travel for South Koreans (ibid). Conservative newspapers were also sceptical about the project's viability. For instance, *Chosun Ilbo* (28 May 1999), a conservative daily, cast doubt on the possibility that the Sunshine Policy would be continued by President Kim's successor, as it was a policy of Kim's own.

Senior South Korean politicians were also a major source of criticism of the Mt. Kumgang project. Former President Kim Young-sam, recalling his own blunder during his presidency²⁰, noted that President Kim Dae-jung was following him by making similar mistakes in the form of unilateral assistance under the name of the Sunshine Policy (*Chosun Ilbo*, 12 March 1999; *Segye Ilbo*, 12 March 1999). Lee Chul-sung, another renowned conservative politician, dismissing the possibility of any change in North Korea after the infiltration of a North Korean submarine, warned of the possibility that 'assistance made to North Korea with taxpayers' money would return with missiles and submarines' (*Chosun Ilbo*, 30 June 1999).

3.1.3. Findings

Ideas and actions, shared and implemented jointly by the Kim administration and Hyundai, offer an insight into how strategies of comprehensive engagement could help inaugurate and maintain cooperative projects between these former foes, North and South Korea. First, the Kim administration, from the outset, suggested a policy with a clear roadmap to promote inter-Korean economic cooperation. By declaring the principle of separation of economics from politics, the administration paved the way for South Korean companies' investment in North Korea, while exploring the possibility of spill-over from one area to another.

Second, well-calculated risk-taking is an important part of a strategy by an

²⁰ In 1995, his government offered 150,000 tons of rice to North Korea with no strings attached, but failed to improve inter-Korean relations, while facing criticism from the South Korean public, when North Korean authorities detained a South Korean sailor on espionage charges during the shipment of the rice.

activist government, since it needs to sail in uncharted waters, and excessive precaution, as observed in President Clinton's engagement with North Korea in Chapter Five, can result in 'a missed opportunity'. The Kim administration's partner, Hyundai, also built a corporate image as the most risk-taking company in South Korea and endeavoured to monopolize all development projects in North Korea.

Third, the unique convergence of Hyundai's business interests and President Kim's policy ideas gave birth to various inter-Korean projects, which in turn increased interactions between North and South Koreans and created a fertile ground for identity shifts. If the Kim administration or the Hyundai group had made a unilateral endeavour to realize the tourism project, there would have been a limited chance of success in view of North Korea's generally isolationist approach. The initiatives by the Kim administration and Hyundai helped generate the policy shifts in North Korea, which also expressed deep interest in the maintenance of the Mt. Kumgang project.

3.2. The Inter-State Level: the status quo

Buttressed by shifting identities, a set of ideas with policy relevance, observed in the previous section, served as guiding principles for both state and business actors in South Korea, when they faced military provocations and entered into the stage of political dialogue. In fact, the uncertainty and fluctuations in inter-Korean relations, compared to a roller coaster ride, posed both challenges and opportunities to Hyundai's tourism project.²¹ As the government actors and Hyundai executives had been closely interacting both openly and behind the scenes on the basis of the shared goal of promoting inter-Korean integration, the challenges facing the Hyundai project were immediately interpreted as challenges to the Sunshine Policy. In the same vein, the opportunities for Hyundai were translated into rare chances for the Kim administration to pursue its long-awaited agenda of promoting inter-Korean exchange and cooperation, including the summit.

For the Kim administration, which took power right after the Asian financial crisis hit South Korea in late 1997, the Hyundai tourism project served the role of demonstrating that inter-Korean exchange and cooperation were in progress and the chances of another war on the Korean Peninsula were very slim. Recalling efforts by the South Korean government to attract foreign investment amid the Asian financial crisis, Unification Minister Kang In-duk (1999) noted that his ministry tried to assure foreign

²¹ Akaha (2002a) described the Korean situation as the ensemble of 'uncertainty, complexity and fluidity', while Scalapino (2002: 11) is cautiously optimistic, saying recent developments in North Korea 'suggest that a point of no return may have been reached'.

creditors that there is no possibility of an all-out war partly because various inter-Korean projects, including the Mt. Kumgang tourism project, were underway. At that time, South Korea had no option but to cling to the engagement option in order to allay the concern of foreign investors about their investment in South Korea (ibid).

Suh Dong-man (1999) argued that North Korea's opening of the Mt. Kumgang area is tantamount to a major political and military confidence-building measure, because the North Korean port of Jangjon is a military port whose opening to South Korean tourists was a major concession on the part of the North Korean military. In particular, the inauguration of tours by South Koreans to the mountain came at a time when a crisis was looming over the Korean Peninsula in the wake of the North's test-launch of a ballistic missile over the Japanese archipelago and the discovery of the Kumchang-ri underground facility suspected of housing nuclear equipment. Lee Jong-sok (2001) said the rumours of possible crises in March or May 1999 circulated in the diplomatic communities in Seoul, Washington and Tokyo in anticipation of fierce confrontation between the United States and North Korea over the missile and nuclear issues, but the Mt. Kumgang project helped South Korea to convince the United States that it was possible to resolve the looming crisis through dialogue. In addition, the operation of tourist vessels resulted inadvertently in the disappearance of any reported North Korean infiltrations and espionage activities in the East Sea, which had been a major route of infiltration in the past (ibid).

This section will start with an analysis of the Kim administration's endeavour to deter North Korea's provocations and prevent the escalation of tension in the event of a breakdown in deterrence and then proceed to the concerted efforts made by the Kim administration and Hyundai to organize an inter-Korean summit. This process will elucidate the role of an activist government in laying the groundwork for an unprecedented high-level meeting with an enemy leader, an indispensable step for comprehensive engagement, and test the neo-functional spill-over effects in the Korean theatre.

3.2.1. Deterrence

Facing volatile inter-Korean relations, the Kim administration put forward a suggestion that economics should be separated from politics, thus seeking to maintain inter-Korean economic exchange and cooperation in spite of political and military tension. In fact, deterrence in the Korean theatre had worked since there was no war on the peninsula since the end of the Korean War in 1953 (Kang D. 2003b: 497). Nevertheless, the administration needed to keep repelling intrusions by North Korea from the initial stage

of the Sunshine Policy whose guiding principle was the ‘non-tolerance of any armed provocation’. In a serious challenge to the policy’s separability thesis, North Korea launched a series of infiltrations and espionage activities: as seen earlier, a submarine incursion in the East Sea off Sokcho, Kangwon Province, on 22 June 1998; another infiltration of North Korean agents in the East Sea coast off Tonghae, Kangwon Province, on 12 July 1998; a spyboat intrusion onto the Kanghwa-do seashore on 20 November 1998; and a semi-submersible vessel intrusion into the South Sea on 17 December 1998 (Kang I.D.1999: 15-6; Chung Y.S. 1999: 228-30; Paik H.S. 1998: 19-22). These sporadic infiltrations and espionage activities developed into a full-scale exchange of fire between the naval vessels of the two Koreas in the West Sea in June 1999 and in June 2002, two incidents giving a clue to how the Kim administration had reacted to these provocations once deterrence failed in a limited-scale warfare.

Background. Drawn unilaterally by the UNC in August 1953, the Northern Limit Line (NLL) has served as a de facto borderline in the West Sea for five decades since South Korea has effectively controlled the sea area (Chung Y.S. 1999). North Korea, stripped of air and naval power at the end of the Korean War, had no option but to reluctantly observe the line. North Korea even expressed tacit consent of South Korea’s jurisdiction of the sea zone south of the line when it signed the Basic Agreement in 1991. According to Article 11 of the agreement (Appendix III), ‘The South-North Demarcation Line and the areas for non-aggression shall be identical with the Military Demarcation Line provided in the Military Armistice Agreement of July 27, 1953, and the areas that each side has exercised jurisdiction over until the present time’. However, North Korean naval vessels did not recognize the line, which was not part of the Armistice Agreement signed in 1953, and made a series of violations.²² In particular, tension in the West Sea has risen in June annually, a high season for catching blue crabs, because an increasing number of North Korean fishing boats, escorted by patrol boats, violated the NLL to catch the crabs, which have been exported to Japan and China and are regarded as one of the most important sources of cash for the North Korean military and fishermen in the region. Even South Korean fishermen sailed into the waters near the NLL, an off-limit zone for them, or perhaps beyond it, in order to increase their catch of crabs.²³

²² At the time of signing the Armistice Agreement, the signatories of the agreement failed to reach a consensus on the maritime demarcation line. Therefore, the UN drew the line not as a demarcation line but an off-limit zone for South Korean vessels in order to prevent accidental clashes between the two Koreas (Lee W.S. 2003: 55). That’s why it is called the Northern Limit Line.

²³ The size of blue crab catches by South Korean fishermen increased more than twice the average

Broken Deterrence. Even though deterrence worked in the Korean theatre in an overall manner, it could not prevent sporadic fire at South Korean targets in both the DMZ and the de facto sea border. Despite the cautious, but robust steps taken by South Korean naval vessels, North Korean patrol boats opened fire against them in June 1999, an incident that marked the first exchange of fire between regular forces since the 1953 Armistice Agreement (Chung Y.S. 1999). The second exchange of fire in June 2002 took place in a similar situation, even though the timing was worse since it occurred during the World Cup finals, co-hosted by South Korea and Japan.

In 1999, North Korean patrol boats started violating the NLL from 7 June with the apparent aim of protecting its vessels fishing for blue crabs. Koh (2001: 341) alleges that the crab fishing was in fact conducted not by North Korean fishermen but by naval personnel. In the face of the North Korean patrol boats' increasing violations of the NLL, South Korean patrol boats strengthened their deterrent actions by ramming the North Korean ships to push them back to the northern side of the NLL. However, deterrence did not work as envisioned since North Korean vessels opened fire on 15 June after a tense, week-long standoff. Despite the intense cross-fire, only seven South Korean sailors suffered light injuries, while North Korea sustained heavy casualties and damage, leaving one torpedo boat sunk, five patrol boats damaged and more than 10 sailors killed (Kim K.N. 1999). In the memory of the triumph of the South Korean Navy, the MND named the skirmishes the 'Yonpyong Sea Battle', which was seen to offer vindication of one of the Sunshine Policy's principles: no tolerance of armed provocation (Koh 2001: 341).

The second Naval clash poured cold water on the festive mood in South Korea, as it took place on 29 June 2002 when South Korea had a soccer match with Turkey, one of the big events wrapping up the World Cup football finals in Seoul. It touched off profound soul-searching in South Korea as the incident, which left four South Korean sailors dead, one missing and 19 injured, took place at the end of President Kim's five-year tenure, thus raising questions about the achievements of the Sunshine Policy.²⁴ According to the MND announcement, based on South Korean sailors' accounts, North Korea also suffered about 30 casualties, while a seriously damaged North Korean patrol boat was towed away across the NLL (Kim K.N. 2002b; *Yonhap News Agency*, 7 July 2002). Kim K.N. (2002b: 23-4) offered five possible causes of the West Sea clash in

volume in the days leading up to the naval skirmishes, evidence that South Korean fishing boats violated the off-limit line, which again provoked the North Korean military authorities (*Yonhap News Agency*, 3 July 2002).

²⁴ For more information, see Chung K.H. (2002); Yom (2002); and Chong K.B. (2002).

2002: first, North Korea attempted to nullify the NLL, drawn unilaterally by the UNC; second, North Korea tried to retaliate for the 1999 naval clash in which its side suffered heavy casualties and damages; third, North Korea wanted to ruin the festive mood in South Korea hosting the World Cup finals; fourth, North Korea wished to take the upper hand in future negotiations with South Korea and the United States; and fifth, North Korea was driven by economic reasons as part of its efforts to secure a right to catch blue crabs in the West Sea. Since North Korea is basically a revisionist state, the Pyongyang leadership or at least a local naval commander appeared to have made the aforementioned set of military, political and economic calculations before ordering an attack. Given the recurrence of similar incidents during the blue crab season, however, economic calculations could be the direct cause of the North Korean military action.

Prevention of Tension Escalation. In both incidents, the South Korean leadership gave top priority to preventing the escalation of the limited warfare and maintaining programmes of inter-Korean exchange and cooperation. According to the MND Internet homepage,²⁵ which offered an outline of the 1999 incident, 'The South Korean navy could have widened the battle, but instead ordered its vessels to return to their base for the purpose of protecting those ships, to prevent the battle from expanding, and to provide the North Korean side with an opportunity to rescue its crew members from a sunken vessel, and to tow damaged vessels ashore'. At the same time, the South Korean military authorities entered into close consultations with their US counterparts from the moment the incident took place in the spirit of the ROK-US military alliance.

In the second incident in 2002, South Korean military authorities again made all-out efforts to repel the North Korean provocation and prevent the escalation of the skirmishes into a major war. Lee Sang-hee, chief operation officer at the Joint Chiefs of Staff, stresses that the rules of engagement, enforced by the UN Command, were designed to prevent the spread of war by emerging triumphant in limited scale warfare in the event of an exchange of fire, thus maintaining the Armistice Agreement (*Yonhap News Agency*, 2 July 2002).²⁶ The MND revealed more information to stress that if the

²⁵ For more information, visit the MND homepage, <http://www.mnd.go.kr/english/html/02/1999/sub10.htm> (accessed 22 November 2003).

²⁶ Upon the breakout of cross fire, the South Korean military authorities sent two fighters, which were on a routine surveillance mission, to the scene but refrained from launching an air attack. The pilots of the two fighters were not given an authorization to attack the North Korean patrol boats, since it might provoke a tactical aerial bombardment by the North's seashore artilleries, which might heighten the risk of an all-out war. Furthermore, the fighters on a routine mission carried only air-to-air missiles for the preparation of possible dogfights with enemy aircraft and did not carry air-to-sea missiles, such as the Harpoon, to attack patrol boats.

South Korean military had taken additional actions to sink the fleeing North Korean patrol boats, it would have heightened the possibility of escalating the skirmishes into major warfare. According to the ministry spokesman, Hwang Eui-don, various North Korean war machines in the vicinity of the clash were placed on a combat-ready state during and after the skirmishes (*Yonhap News Agency*, 4 July 2002).²⁷ The spokesman made this revelation to allay the opposition parties' criticism against the Navy's failure to sink the fleeing North Korean patrol boats and to emphasize the military authorities' efforts to prevent the escalation of limited warfare.

3.2.2. Limited Sanctions

If one party's military provocation leads to the other party's retaliatory sanctions, it is hard to expect any chance of meaningful dialogue amid an increasing spiral of actions and reactions. As an activist government with a profound knowledge of the enemy state, the Kim administration came up with its own interpretation of North Korea's repeated military provocations. In spite of criticism from the opposition parties and conservative newspapers, the Kim administration stopped short of taking any retaliatory measures. The administration's attitude was upheld by that of the general public in South Korea, which wanted to maintain their ordinary life, as observed above through South Koreans' uninterrupted travel to the North Korean resort even on the day of Naval skirmishes.

The Kim administration also tried to convince the United States and Japan that the only way to prevent the North's provocation was to further engage it instead of imposing sanctions. Following the North's first long-range missile test in 1998, South Korea, the United States and Japan feared that North Korea might soon launch an advanced-version rocket, Taepodong II. The United States contemplated the suspension of heavy oil supplies and the imposition of harsh economic sanctions, while Japan threatened to abandon its obligations specified by the KEDO process (Kang I.D.1999). From the outset, however, the Kim administration opposed such moves, stressing the necessity of further engagement to eliminate the fundamental reasons behind North Korea's development of WMD and their delivery vehicles.

Polarized Views over the Naval Clash. Both ruling and opposition parties issued

²⁷ For example, the radar for the anti-ship Styx missiles installed on a North Korean ship docked at the neighbouring Sagot Naval Base was in operation at the time of the skirmishes to apparently prepare for missile attacks against two South Korean corvettes attacking the North Korean ship. In addition, North Korea had activated Silkworm anti-ship missiles at Tongsangot for about 30 minutes after the skirmishes were over in preparation for the spread of the military engagement. North Korean fighters and warships in Hwanghae Province were also bracing for further combat.

statements criticizing North Korea for violating the sea border and inflicting damages. The opposition GNP, portraying it as a 'premeditated' attack, called for the South Korean government's resolute actions to elicit North Korea's apology and the temporary suspension of the Mt. Kumgang tourism project in a major review of the engagement policy (*Yonhap New Agency*, 30 June 2002). The opposition parties and major newspapers questioned why the South Korean Navy failed to sink North Korean boats despite heavy casualties on the part of the South Korean side, which generated various proposals ranging from the revision of the rules of engagement to the establishment of a joint fishing area. The ruling MDP, however, called on the government to cling to the engagement option and pursue economic cooperation projects with North Korea.

There were conflicting views in South Korea over why the North Korean leadership resorted to a 'double play' by pursuing peace and reconciliation with South Korea, on the one hand, and mobilizing military options to achieve its dubious goals, on the other (*Chosun Ilbo*, 3 July 2002). Even though there were diverse interpretations of North Korea's intentions, South Korean officials tried to convince the public that North Korean naval vessels infiltrated South Korean waters to protect North Korean vessels fishing for blue crabs.²⁸

As to whether the West Sea incident was accidental or premeditated, South Korea's state agencies provided conflicting interpretations. The MND concluded that the incident was premeditated provocation by North Korea, while the MOU went along with the North's description of the incident, an interpretation that, to the critics of the Sunshine Policy, posed a threat to South Korean security, given that the North Korean Navy's rules of engagement included pre-emptive strikes against South Korean targets (Kim K.N. 2002b). A senior MOU official ruled out the possibility that North Korea had launched a premeditated attack, since this incident, just like the previous clash in 1999, took place at the high season for catching blue crabs in June when North Korean patrol boats have frequently violated the NLL to escort North Korean fishing boats (*Yonhap New Agency*, 29 June 2002). The official said: 'Even though we could presume that a North Korean patrol boat targeted the pilot room of our patrol boat on purpose, it is hard to conclude that this skirmish, in its entirety, had been a planned provocation by North Korea' (ibid). Therefore, the inter-ministerial debate was wrapped up with the South Korean military revising the rules of engagement for its Navy vessels to simplify the five-stage rules into three-stage ones in order to enable them to respond more

²⁸ While some argued it was part of North Korea's efforts to invalidate the NLL, Unification Minister Lim Dong-won said during a luncheon with reporters right after the 1999 incident that their mission was believed to be to protect crab-catching North Korean vessels. The author was one of the reporters present at the meeting.

aggressively against North Korean provocations. Defence Minister Kim Dong-shin was replaced with Lee Joon.

Adherence to Engagement. Immediately after the skirmishes in 2002, President Kim presided over an emergency NSC meeting to discuss how to deal with the North's provocative action. Confronting the polarization of opinion at the National Assembly, the Kim government selectively accommodated the recommendations from both political camps and came up with measures which called for the continuation of civilian exchange while demanding that North Korea issue an apology and take action to prevent the recurrence of similar incidents. In a report to the National Assembly, Unification Minister Jeong Se-hyun said that the government would step up defence preparedness and protection of civilians, while pursuing civilian exchange as planned (*Yonhap News Agency*, 1 July 2002). In a meeting with Korean residents in Tokyo, where he attended the closing ceremony of the World Cup soccer finals, President Kim made it clear that Seoul would pursue the Sunshine Policy despite any form of provocative actions by North Korea. President Kim said: 'As long as South and North Korea were not in a state of war, we should pursue efforts to promote peace on the Korean Peninsula' (*Yonhap News Agency*, 2 July 2002).

In contrast, the United States, which originally notified Pyongyang of its plan to dispatch a special envoy to North Korea on 10 July 2002, decided to scrap the plan right after the second inter-Korean naval skirmish. When US Secretary of State Colin Powell said on 28 June 2002 that Washington would reconsider the envoy's visit, South Korea, opposing the US punitive action, requested the uninterrupted implementation of the engagement option (*Yonhap News Agency*, 2 July 2002). National Security Advisor Yim Sung-joon told reporters: 'We delivered our position to the United States, noting it is desirable to send a special envoy to North Korea despite the incident. Let's wait and see' (*Yonhap News Agency*, 2 July 2002). Despite Seoul's objection, Washington officially announced on 2 July it would shelve the plan indefinitely, noting that the exchange of fire between the naval vessels had dampened the atmosphere for dialogue.

The Aftermaths of the Naval Clash. Apart from the South Korean government's attitude and actions, the naval clash also offered a picture of how the North Korean leadership tried to contain the escalation of tension. At first, North Korea's attitude on the incident was somewhat ambivalent. Even though the North criticized South Korea in connection with the clash, it also put blame on the United States. Soon after the skirmish, for instance, the KCNA reported: 'The US instigated the South Korean

military to infiltrate warships deep into the territorial waters of the DPRK side and mount a surprise attack on the patrol boats of the Korean People's Army on routine coastal guard duty, thus causing such tragedy in the long run'. In a major peace gesture, however, North Korea sent a telephone message to South Korea on 25 July 2002, expressing regret over what it called an 'accidental' naval clash in the West Sea and proposing an inter-Korean ministerial meeting (*Chosun Ilbo*, 26 June 2002). As domestic opinion turned negative, raising scepticism over the achievements of the Sunshine Policy and calling for stricter reciprocity, the Kim government attempted to pursue further inter-Korean rapprochement, while neglecting negative voices. Following the skirmishes, the two Koreas resumed ministerial talks in mid-August that yielded a 10-point agreement that, among other things, called for the reopening of an inter-Korean committee on economic cooperation to discuss the connection of the severed railways and the construction of an industrial complex in North Korea.

As the North Korean government expressed regret over the incident, the Kim administration requested Washington to stay on the course of dialogue with North Korea, thus creating an atmosphere for a meeting between US Secretary of State Powell and North Korean Foreign Minister Paik Nam-sun in Brunei on 31 July 2002 on the sidelines of the ARF. It was the first high-level meeting between the two countries since the inauguration of the Bush administration. Subsequently, the United States resumed negotiations with North Korea to dispatch a special envoy in October, even though the envoy's trip caused another nuclear standoff because of the North's admission of a nuclear weapons programme.

In a sign of calmness, no South Korean traveller cancelled his or her plan to visit Mt. Kumgang in spite of the deadly skirmishes, even though there were tens of inquiries on whether the Hyundai cruise ship, Solbong, would set sail as scheduled (*Yonhap News Agency*, 29 June 2002). A group of 50 South Korean civilians also flew into North Korea despite the incident for reasons such as the monitoring of humanitarian activities there. On the very day of the incident, the number of South Koreans staying in North Korea amounted to 1,176, including 236 tourists to Mt. Kumgang, 83 Hyundai employees and 736 engineers and workers involved in the KEDO project (*ibid*).

In sum, the military skirmishes demonstrated how Seoul's policymaking elite sought to contain an escalation of military tension and pursue economic engagement with Pyongyang, buttressed by the general public's shift of attitude towards North Korea. President Kim vowed to stick to his Sunshine Policy, dismissing allegations that the policy had invited North Korea's military provocation in the West Sea. Kim said in a meeting with reporters covering the presidential house on 15 July 2002: 'Our position is

to maintain the Sunshine Policy to pursue reconciliation and cooperation between South and North Korea on the basis of firm defence preparedness and the ROK-US military alliance' (*Yonhap News Agency*, 12 July 2002).

3.2.3. Political Dialogue

As elaborated in Chapter Three, dialogue is a quintessential step for an activist government when it pursues comprehensive engagement with an enemy state. As long as deterrence works in an overall manner, any coercive action is anathema to an activist government, since its strategies of engagement are based on a firm belief that it can ameliorate the attitude of the enemy state through dialogue. Once an activist government manages to open a channel of communication with an enemy state, the next step it can take is how to increase the levels and channels of dialogue and interactions.

The Kim administration pursued political dialogue in a consistent manner while repelling North Korea's provocative actions and refraining from taking retaliatory actions against the Pyongyang regime. In the initial stage of the Sunshine Policy, its desire for political engagement with Pyongyang could not be fulfilled due to the lack of trust and *modus operandi*, as well as the military provocations, mentioned above. Therefore, Hyundai's North Korean projects became a major boost to President Kim's political engagement. This section outlines the case in which purely business talks in the initial stage were transformed into political dialogue, one of the examples reinforcing the utility of the neo-functionalist metaphor of spill-over effects. Hyundai poured its corporate energy into building a reliable channel of communication with North Korea, as it was seeking to monopolize what it saw as an emerging market. Eventually, the channel, built by Hyundai, served another usage, since the Seoul government also made use of it to organize an inter-Korean summit.

Background. As mentioned in the previous section, the Kim administration did not make it a rule to hold government-level dialogue with Pyongyang in the initial stage of implementing the Sunshine Policy out of concerns that state intervention might hamper Hyundai from pursuing its business goals. Nevertheless, the initial stage did not last long, because Hyundai itself felt a dire need to secure government-level guarantees to protect its ever-increasing investment in North Korea. From the inception of the Mt. Kumgang project, Hyundai was involved in preliminary efforts to organize an inter-Korean summit. When Hyundai's honorary chairman Chung met Chairman Kim in October 1998, the two apparently exchanged views on the possibility of an inter-Korean summit. Hyundai officials quoted Chairman Kim as saying: 'Even though an inter-

Korean summit was agreed upon when President Kim Young-sam was in office, it could not be materialized' (*Segye Ilbo*, 7 November 1998). Following his trip to Pyongyang, the senior Chung made a courtesy call on President Kim to debrief him on his conversation with Chairman Kim. In early 2000, Chairman Chung reported to his father, honorary chairman Chung, that he would seek ways to organize a summit to secure an agreement on the protection of Hyundai's investment in North Korea and won consent from the senior Chung (*Yonhap News Agency*, 12 June 2003). Just before President Kim's trip to four European countries in March 2000, Chairman Chung informed Culture-Tourism Minister Park Jie-won, one of President Kim's confidants, of North Korea's positive response to a summit meeting, which prompted President Kim to send Minister Park to Singapore for preparatory talks for the summit (*Yonhap News Agency*, 11 June 2003).

For President Kim and his advisors, a summit was regarded as a key milestone in the history of national division to shed the Cold War animosity and jumpstart inter-Korean exchange and cooperation. However, President Kim had to fight an uphill battle during the first two years of his presidency because of North Korea's launch of a multi-stage rocket, Taepodong I; controversy over an underground tunnel in Kumchang-ri; and a naval skirmish in the West Sea. After the international environment markedly improved after the implementation of the Perry process and the ground was levelled after Hyundai's tourism project, South Korean officials embarked on secret, indirect contacts with North Korea to organize a summit.

Hyundai-North Korea Connection. Hyundai, especially an internal faction led by Chung's son, Mong-hun, maintained a good working relationship with the KAPPC, led by Kim Yong-sun, Chairman Kim's right-hand man. Mong-hun's achievements in the North Korea projects helped him to win his father's confidence and then the succession battle with his elder brother, Mong-koo, chairman of the Hyundai Motors. As to how Hyundai secured a secret channel with North Korea, Kim Ko-joong (Interview: 2003), vice president of Hyundai Asan, elaborated:

Beginning August 1997, MH [Mong-hun] embarked on his efforts to contact North Koreans. However, his associates had completely forgotten the fact that honorary chairman Chung and three Hyundai executives visited North Korea in 1989 thanks to the mediation of Yoshida Takeshi, a Korean-Japanese businessman. Following intensive efforts, we could restore an earlier connection, Yoshida Takeshi, to build a channel of communication with North

Korea.

Yoshida's role loomed large, since he was a heavyweight businessman who played an intermediary role in brokering secret contacts between Japan and North Korea, as well as inter-Korean contacts.²⁹ Culture-Tourism Minister Park told a National Assembly committee that he had been introduced to Yoshida via Hyundai Asan executives and met him twice in 2001 to discuss measures to reactivate the sluggish Hyundai tourism project (*Yonhap News Agency*, 6 October 2002). The presence of Yoshida, who has spent much of his life straddling North Korea and Japan, offers a rare glimpse into a subterranean world of international business networking.

The Yoshida-Hyundai connection eventually developed into a direct relationship between Hyundai and the KAPPC, which had frequent contacts in Beijing. When the Seoul government required a reliable channel, the Hyundai connection was the best possible choice, which could reach Chairman Kim's right-hand man, Kim Yong-sun. Unification Minister Park Jae-kyu (Interview: 2003) noted:

When I became unification minister in late 1999, government-level contacts were already underway in a secret, indirect manner via various channels. Now, we have official channels of communication, like the minister-level talks and the Panmunjom line. At that time, we had only private channels, such as businessmen visiting North Korea frequently. One of them was Hyundai. As Hyundai built trust with the North Korean leadership through the pledge to offer US\$942 million [in connection with the Mt. Kumgang project], we chose Hyundai as the single channel of inter-Korean communication to organize a summit.

Berlin Declaration and Preliminary Talks. With the atmosphere growing ripe for a summit with Chairman Kim, President Kim issued a major policy statement in the name of the Berlin Declaration (Appendix VIII), when he delivered a speech at the Free University of Berlin on 9 March 2000 during his trip to Europe. Kim made, among other things, a pledge to help North Korea to rehabilitate its bankrupt economy through inter-Korean economic cooperation and modernization of its infrastructure, while calling on it to work together to end the Cold War, exchange separated families and

²⁹ Born in Hamgyong Province, North Korea, Yoshida, whose father had a close personal relationship with Kim Il-sung, played the role of a secret emissary between North and South Korea and between North Korea and Japan. In 1995, he served as a secret channel of dialogue on Japan's rice assistance to North Korea (Lee W.S. 2003: 80).

convene government-level dialogue to discuss all pending issues. According to the Seoul government's official announcement, North Korea responded to President Kim's peace gesture and proposed a meeting of special envoys to discuss the summit (MOU 2003). Upon North Korea's request, Seoul appointed Culture-Tourism Minister Park as a special envoy, who held the first, behind-the-scene meeting with KAPPC Vice Chairman Song Ho-gyong in Shanghai, China, on 17 March 2002 (ibid). They held additional talks in Beijing on 23 March and agreed on 8 April to organize a summit on 12-14 June in Pyongyang, which was announced simultaneously in Seoul and Pyongyang on 10 April.

Nevertheless, the government's official position that the summit was North Korea's response to the Berlin Declaration had been contested and, in fact, seemed incompatible with remarks made by government officials and others involved in the process. Unification Minister Park (Interview: 2003) said Seoul had already secured positive responses from Pyongyang in late February through various channels. In an interview with *Hankook Ilbo* (13 February 2003), Yoshida even contended that he helped broker a meeting of the two special envoys in Singapore before the Shanghai meeting, adding that Chairman Chung and Lee Ik-chi, chairman of Hyundai Securities Co., were also there to introduce them. Yoshida's remarks meant that the Berlin Declaration was the outcome of inter-Korean secret contacts and Hyundai executives were deeply involved in the process of organizing the summit. As North Korea called for a high-level commitment to South Korea's economic engagement prior to a possible summit, President Kim is believed to have pledged in the Berlin Declaration to make efforts to improve North Korea's infrastructure, including roads, ports, railways, electricity and communications, and reform its agricultural sector to alleviate its chronic food shortage (Lee W.S. 2003). The text of the declaration was delivered to the North Korean leadership via the truce village shortly before its announcement (ibid).

The Seoul government denied the existence of the Singapore meeting and Culture-Tourism Minister Park also contended that he did not meet any North Koreans, while acknowledging only that he was on vacation in Singapore on 9-11 March (*Yonhap News Agency*, 6 October 2002). However, Chairman Chung told reporters at the Mt. Kumgang condominium following the first overland trip to Mt. Kumgang that he organized the first meeting between Park and Song in Singapore on 8 March (*Chosun Ilbo*, 17 February 2003). Park's lawyer also confirmed that Park, who was not an expert in inter-Korean affairs, attended the Singapore meeting with Kim Bo-hyon, then chief of the NIS bureau in charge of strategies on North Korea, and Chairman Chung was present at the meeting to introduce the North Korean delegate to Park (*Yonhap News*

Agency, 11 June 2003). Lim Dong-won also confirmed the presence of Chung and Lee at the start of the Singapore meeting, highlighting Hyundai's role in organizing the summit (*Chosun Ilbo*, 15 February 2003). Finally, an independent counsel probe determined that Park's meeting with Song took place for the first time in Singapore from 8 March. As the Seoul government attempted to give weight to President Kim's Berlin Declaration and conceal its collusion with Hyundai, Park, a life-time follower of President Kim, is believed to have followed the government's guideline, thus denying the existence of the Singapore meeting, which might erode the significance of the Berlin Declaration substantially.

Summit. The interests of Hyundai executives and Seoul's policymaking elite have shown convergence in organizing a summit meeting, which touched off ramifications at various levels of dialogue between the two Koreas. South Korea maintained outright secrecy on the summit to the United States and other countries until the eve of the 10 April public announcement.³⁰ With the South Korean public and the international community stripped of details of the behind-the-scene deals in connection with the historic event, the first summit between the leaders of the two Koreas won accolades at home and abroad, helping Kim to win the Nobel Peace Prize in late 2000. President Kim, accompanied by a 130-member entourage and 50 journalists, made a three-day visit to Pyongyang from 13 June. When he arrived at the Sunan Airport on the outskirts of Pyongyang, Chairman Kim welcomed the President in person.³¹ During his three-day stay in Pyongyang, President Kim held several rounds of formal and informal summit talks with Chairman Kim to build trust between them and discuss issues to end the decades-long enmity and foster reconciliation. On 15 June, they signed the Joint Declaration (Appendix IX), which comprised a common agenda for national reconciliation and eventual reunification, including the exchange of separated families and the promotion of inter-Korean economic cooperation, but ignored security issues and concerns expressed by the United States and Japan in connection with the North's WMD. North Korea's ballistic missile programme has been the prime justification for Washington's efforts to build a controversial anti-missile shield, but it was not a priority issue for President Kim, since Pyongyang had already declared a moratorium on missile tests as part of the Perry process.³² Therefore, President Kim endeavoured to improve

³⁰ On 9 April, Foreign Minister Lee Joung-binn summoned a few foreign envoys to his office to notify them of the forthcoming summit, even though it was Sunday.

³¹ The two Kims took a limousine together and headed to Pyongyang, with an estimated 600,000 North Koreans greeting them on the streets, waving crimson-coloured artificial flowers.

³² As a sign of support for the summit, the United States announced that it could lift most economic

North Korea's image domestically and internationally and turn the summit into a milestone event in the inter-Korean rapprochement process. The summit agreement, deliberately vague and heavily biased towards inter-Korean rapprochement, had already been envisaged since representatives of the two Koreas, who held five rounds of preparatory talks in the truce village of Panmunjom, singled out 'issues of national reconciliation and unity, exchanges and cooperation, and the realization of peace and unification' as the tentative agenda of the summit (MOU 2003: 72).

Exchange of Special Envoys. After being convinced during his visit that Chairman Kim is a reliable dialogue partner, as well as an irrefutably strong leader,³³ President Kim wished to maintain his personal contacts with the North Korean leader. With Chairman Kim's promised return visit to Seoul being delayed indefinitely, the two Koreas exchanged special envoys to address pending issues and launch in-depth talks on the future course of inter-Korean reconciliation. The confidants of President Kim and Chairman Kim took up the roles of special envoys: Lim Dong-won from the South and Kim Yong-sun from the North. The Workers' Party secretary first visited South Korea for four days from 11 September 2000. Kim was accompanied by Pak Jae-gyong, four-star general of the North Korean People's Army, who carried Chairman Kim's gift of precious mushrooms to President Kim. Secretary Kim paid a courtesy call on President Kim and held talks with NIS director Lim and Unification Minister Park to discuss Chairman Kim's return visit, the exchange of separated families and the itineraries for future inter-Korean dialogue. The delegation also travelled to the ancient capital city of Kyongju, the southern resort island of Cheju and an industrial complex in Pohang.

The plan for a South Korean envoy's trip to Pyongyang was conceived amid a downturn in inter-Korean relations, especially after President Bush designated North Korea as part of the 'axis of evil' in January 2002. Special envoy Lim travelled to Pyongyang on 3 April 2003 for a four-day visit that, according to Lim (Interview: 2003), was aimed at providing a debriefing of the Kim-Bush summit held in February 2002.³⁴ Lim met Chairman Kim and Secretary Kim, urging them to take positive actions to reactivate inter-Korean exchange and improve relations with the United States and

sanctions that remained in place because of the State Department's listing of the country as a state sponsor of terrorism (*New York Times*, 12 June 2000).

³³ During a farewell dinner in Pyongyang, Chairman Kim suddenly ordered North Korea's top brass to pour wine for President Kim, a scene of surprise to the South Korean entourage (Lee W.S. 2003: 129).

³⁴ Bush visited South Korea for a summit with President Kim from 19-21 February and announced that the United States had no intention to invade North Korea and supported the Sunshine Policy. North Korea was apparently confused since Bush's remarks came shortly after he designated it as part of the 'Axis of Evil' in his State of the Union speech on 29 January.

Japan. In particular, Lim called for US-North Korea dialogue to alleviate the international community's suspicion of its nuclear weapons and missile programmes. Lim returned with a six-point agreement that included an early connection of two severed railway lines and the reactivation of inter-Korean exchange and cooperation, agreed upon in the summit meeting.

When North Korea's fresh admittance of a nuclear weapons programme raised tension on the Korean Peninsula in late 2002, President Kim again attempted to resolve the issue by sending Lim to Pyongyang. Lim and National Security Advisor Yim Sung-joon visited North Korea for three days from 27 January 2003 and met Kim Yong-nam, chairman of the standing committee of the Supreme People Assembly, and Secretary Kim. However, they were not given a chance to meet Chairman Kim this time, as he was on a trip to the countryside. The South Korean delegates called on North Korean officials to take positive actions in resolving the nuclear problem as soon as possible, as it could bring about another security crisis on the peninsula. In particular, they called on Pyongyang to retract its declaration to leave the NPT, freeze nuclear activities and scrap the uranium enrichment programme (MOU 2003: 83). Lee Jong-sok, a member of the incoming president's transition team, accompanied the special envoy to demonstrate Seoul's intention to carry on the Sunshine Policy after President Kim left office.³⁵

Ministerial-Level Talks. As a regular channel of inter-Korean dialogue, the two Koreas convened nine rounds of ministerial-level talks until the end of President Kim's tenure. Even though the timing of the ministerial talks was subject to change because of domestic and international factors, they became the symbol of inter-Korean rapprochement in terms of continuity and durability. As shown in Table 6.1, these talks were held in each other's capitals and tourist attractions, like Mt. Kumgang and Cheju Island alternately, contributing to tension reduction and reconciliation.

³⁵ Lee, a North Korea expert at the Sejong Institute, joined the Roh administration as NSC vice secretary general, a key post in handling North Korea-related affairs.

Table 6.1 Ministerial-Level Talks

	Date	Venue	Key Agenda
1	29-31 July 2000	Seoul	Connection of railways and roads
2	29 Aug.-1 Sept. 2000	Pyongyang	Reunion of separated families
3	27-30 Sept. 2000	Cheju Island	Economic cooperation
4	12-16 Dec. 2000	Pyongyang	Economic cooperation
5	15-18 Sept. 2001	Seoul	Mt. Kumgang project
6	9-14 Nov. 2001	Mt. Kumgang	Terrorism
7	12-14 Aug. 2002	Seoul	Connection of railways and roads
8	19-23 Oct. 2002	Pyongyang	North Korea's HEU programme
9	21-24 Jan. 2003	Seoul	North Korea's HEU programme

Source: MOU (2003).

The relatively long intervals of nine months between the fourth and fifth talks and another nine months between the sixth and seventh talks indicate that inter-Korean dialogue suffered from the Bush administration's hard-line stance against North Korea (Kim K.S. 2002: 103; Lee W.S. 2003: 70). Despite its prior agreement to hold the fifth ministerial-level talks in March 2001, North Korea unilaterally postponed the talks on 13 March in protest at President Kim's summit with President Bush. On 12 October 2001, North Korea criticized South Korea's security measures adopted after the 11 September terrorist attacks and cancelled temporary family reunions set for October (ibid). Another factor, which hampered the minister-level talks, was South Korea's lukewarm response to North Korea's request for the supply of two-million-kilowatt electricity, made in the fourth ministerial-level talks (MOU 2003: 88). In addition to technical difficulties and the mixed reception in South Korea, the United States was particularly negative to the idea of supplying electricity to North Korea, since it might loosen North Korea's commitment to the 1994 nuclear agreement under which it pledged to freeze nuclear activities. The stagnation of inter-Korean talks lasted until the special envoy's trip to Pyongyang in April 2002, which again revived the process of rapprochement.

Apart from the ministerial-level talks, represented by the unification minister from South Korea and a senior official from the North Korean Cabinet, the two Koreas managed to convene a meeting between the defence ministers from 25-6 September 2000 on the southern resort island of Cheju. It was a highly symbolic meeting because the top military officials from the two Koreas met for the first time since national division. Since the North Korean delegates for the ministerial-level talks declined to touch on military issues, noting they were not within their delegated authority (Park S.S. 2002), the South Korean administration sought to organize a defence ministers' meeting to launch discussion on steps to reduce military tensions. Nevertheless, North Korean military officers showed little interest in discussing ways to reduce tension and establish a peace mechanism between the two Koreas, while focusing only on the technical issues for the reconnection of the Seoul-Sinuiju railway that was to run through the DMZ separating North and South Korea (Paik J.H. 2000). In fact, North Korea's dispatch of Vice Marshal Jo to Washington in October 2000 demonstrated that Pyongyang had been interested in discussing the overall military situation on the Korean Peninsula with the United States, while sidestepping South Korea and confining inter-Korean defence ministers' talks to technical problems required to implement the summit agreement (Kim H.J. 2000; Paik J.H. 2000).

3.2.4. Findings

Since the Kim administration had a clear roadmap in engaging North Korea, it could proceed in the direction of opening a channel of dialogue without being affected by North Korea's sporadic military provocations. First, the Kim administration, as an entrepreneur of new norms, could exercise remarkable restraints in the face of the enemy's military provocations, since it had a deeper understanding of the root causes of military tension resulting from national division.³⁶ For South Korea's policymaking elite, the West Sea provocations were accidental incidents, which took place in connection with a fishing dispute, rather than North Korea's sinister scheme to undermine South Korea's national security. As shown above, they attempted to interpret the incidents this way in order not to hamper the process of inter-Korean exchange and cooperation.

Second, this section showed that the neo-functional metaphor of spill-over effects worked in inter-Korean relations, since the business dialogue between Hyundai

³⁶ Another example of the South Korean military's restraints is Seoul's renunciation of the use of force in 2001 when four North Korean commercial ships intruded into the Cheju Strait and the NLL (Kim K.S. 2002: 115). The government took one step further by declaring that it would authorize them to use the sea lane, if requested in advance.

and North Korea was amplified into political dialogue between the leaders of the two Koreas, which in turn led to a large number of meetings and contacts in all walks of life.

Third, inter-Korean political rapprochement, despite a series of regular meetings, showed limited progress in the face of opposition from domestic groups with vested interests and Cold War mentalities, as shown in the defence ministers' talks, and the intervention of outside forces, represented by the Bush administration's hard-line policies vis-à-vis North Korea. Paik J.H. (2000) and Kim H.J. (2000) noted that, in spite of a flurry of inter-Korean talks after the June summit, most meetings, except for a limited number, produced few visible results and many Koreans were used to a routine in which pending problems are put off from one round to another.

Fourth, regular political dialogue involving various formats and settings was, in fact, crucial in alleviating tension and addressing pending issues, which contributed to the political status quo on the Korean Peninsula by preventing the possibility of war and military crises and creating a favourable environment for economic integration, to be analyzed in the next section.

3.3. The Global Level: integration

For strategists of limited engagement, as shown in Chapter Two, economic incentives are bargaining chips, which could be *withdrawn if an enemy state does not take due steps in an envisioned dyad of incentives and punishments*. For an activist government pursuing comprehensive engagement, however, economic exchange and cooperation are tantamount to steps for tension reduction, trust building and, most of all, integration of the previously separate economies. In this sense, comprehensive engagement is subject to criticism for the lack of fallback strategies.

This section will explore the Hyundai project's contribution to inter-Korean economic exchange and cooperation, which had been in progress in spite of a series of military and political crises, observed in the previous sections. The objective of this section is to illustrate that economic exchange and cooperation are possible in the middle of military crises, thus resulting in a cumulative effect, envisioned by strategists of comprehensive engagement. First, this section will investigate the role of bribes in the process of bargaining between North and South Korea, caught by mutual suspicion and lack of trust, along with its negative consequences to both bribers and bribees. Then it will examine Hyundai's large-scale investment and infrastructure projects, and discuss whether they contributed to inter-Korean economic integration.

As indicated above, one of the Sunshine Policy's strategies is the prevention of *spill-back*, which is possible by means of an intensified process of economic integration.

This section will show how the Kim administration strived to maintain the Mt. Kumgang project, the Kaesong industrial park project and other inter-Korean cooperation schemes in adverse domestic and international environments.

3.3.1. Bribes

Hyundai's cash remittances to North Korea and their implications for the summit meeting and inter-Korean integration have been one of the intensely debated topics in South Korea, which led eventually to an independent counsel's probe and court trials from March 2003. It is virtually impossible to secure a moral high ground if a policy lacks transparency and the legitimacy of the means employed, a fact that had subjected the Sunshine Policy to criticism. As mentioned in Chapter Three, the Kim administration redefined national interests and decided to shoulder sizable costs for the larger goal: the creation of a Korean economic community.³⁷ Seoul's policymaking elite, armed with confidence and shifted identities vis-à-vis North Korea on the popular level, sought to engage the state by mobilizing every possible means as trailblazers. For them, the transfer of a huge amount of cash to North Korea was a necessary evil as long as it could serve as a lubricant or a catalyst for the improvement of inter-Korean relations void of any ground rules and established practices. They could compromise immediate security concerns emanating from North Korea's diversion of the cash to military purposes for the sake of peace and security on the peninsula in the long term. The South Korean policymaking elite had no time to waste since it sought to achieve an improvement of inter-Korean relations in a given time frame. It also feared that the window of opportunity, opened through the Mt. Kumgang project and the Perry process, might be closed at any time if the domestic and international situations changed. The Kim administration's desire for engagement was fully coordinated with Hyundai, which spent sumptuously to win friends in North Korea, including the provision of 1,001 cows, dozens of trucks, 70 luxury cars, 50,000 colour television sets, and a US\$50 million sports stadium in Pyongyang that seats 12,300 spectators, as well as cash remittances (*New York Times*, 21 August 2003).

To answer a number of questions regarding the process of organizing the summit, this section will illustrate the format of preliminary talks for the summit, the decision-

³⁷ In his inaugural speech (Appendix VI), President Kim declared: 'If interaction and cooperation between the South and North are realized, we are prepared to support North Korea even if it pushes for interaction and cooperation with our friends, including the United States and Japan as well as international organizations. Despite the current economic difficulties, the new Administration will carry out the promises the Republic of Korea made in connection with the construction of LWRs in North Korea. We will not be stingy in extending food aid to North Korea from the Government and private organizations through reasonable ways'.

making process of the South Korean government, and the nature of the US\$450 million sent to North Korea shortly before the summit. This section will perforce rely heavily on the findings of the independent counsel, formed in March 2003 under the Roh Moo-hyun government to investigate the cash-for-summit scandal, and the outcome of the court trials in order to shed light on the murky backroom dealings and behind-the-scene negotiations in the months leading up to the summit. It will be augmented with elite interviews, which contain fresh revelations by political and business actors involved in this controversy.

Background. President Kim and his advisors strove to cover up the illegal remittances until the end of his five-year tenure, since they feared that, if made public, they might invite criticism from South Korea's conservative forces and a backlash from North Korea, which could subsequently damage the process of inter-Korean rapprochement. Nevertheless, a series of speculations and questions started surfacing from early 2002. Niksch (2002) of the US Congressional Research Service, citing informed sources, raised the suspicion for the first time on 5 March 2002 by noting Hyundai had paid an estimated US\$800 million, including the remittance of US\$400 million made in return for the right to operate the Mt. Kumgang project, and the CIA delivered a memorandum to the South Korean government outlining US suspicions over the possible diversion of the cash for military purposes. On 25 September 2002, GNP lawmaker Eom Ho-sung made a similar allegation that a total of US\$400 million, funnelled to the Hyundai Merchant Marine (HMM) that operates the cruise ships to Mt. Kumgang by the Korea Development Bank (KDB) to alleviate its liquidity problems, was sent to the KAPPC's bank accounts in Hong Kong and Macao (*Yonhap News Agency*, 26 September 2002). Following the allegations, former KDB governor Uhm Rak-yong, citing the remarks by the bank's Governor Lee Keun-young, contended that the loans to Hyundai were made under pressure from President Kim's Chief of Staff, Han Kwang-ok, prompting the Board of Audit and Inspection (BAI), the nation's top inspection organ, to launch a probe into the case on 14 October 2002. Chairman Chung, who left for the United States on 19 September 2002, did not return to Seoul until 11 January 2003 as part of his efforts to avoid the BAI probe. Upon returning to Seoul, Chung again left for Mt. Kumgang for further consultations on its projects with North Korean officials and returned on 22 January.

In a mid-term announcement on 20 January 2003, the state inspection agency contended that it failed to trace the whereabouts of 224 billion won out of 400 billion won in loans, as Hyundai refused to submit the relevant documents, and hinted at the

possibility that it would refer the case to the prosecution for an additional probe. Under mounting pressure, Hyundai submitted the documents to the BAI on 28 January 2003, but the BAI found them insufficient to clear all suspicions. In a final announcement, the BAI said that the HMM used 223.5 billion won for its North Korea projects, 100 billion won for the purchase of the commercial papers of Hyundai Engineering and Construction and 76.5 billion won for other purposes.

The BAI announcement heightened pressure on President Kim to clarify all suspicions over the loans. Shortly before stepping down at the end of his five-year term, President Kim issued an apology in a nationally televised address on 14 February 2003, admitting that his government had assisted Hyundai to transfer US\$450 million to North Korea ahead of the summit. Kim said: 'I am very sorry for causing such deep concerns to our people because of a controversy over Hyundai's remittances', but added that he had no option but to endorse the remittances 'out of the legal boundaries' to prevent war and pave the way for reunification (*Korea Herald*, 22 February 2003). Kim denied the allegation that the payment was a payoff aimed at inducing North Korea to the landmark summit, which helped him to win the Nobel Peace Prize the same year. The President insisted that Hyundai had secured 'the right to launch seven projects in North Korea, including railway, electricity, communications, and the Kaesong industrial park in return for the remittances' (*Donga Ilbo*, 15 February 2003). Following his address, Kim's special advisor, Lim, made a background briefing, confirming the NIS's role in Hyundai's secret cash transfer, when he served as its director at the time of the summit. According to Lim, he received a report on 5 June 2000 that Hyundai urgently requested assistance for exchanging the money for US dollars and gave instructions to his deputies to study whether it was possible to offer the service. Lim added that the NIS helped Hyundai to exchange the money for US dollars at the Korea Exchange Bank, enabling it to send US\$200 million to the North on 9 June. It was the first time that the NIS had acknowledged an illegal action. Since the controversy had surfaced, the intelligence agency had denied its involvement in the transfer of the money, noting the allegations were 'smearing tactics' by the opposition parties (*Weekly Chosun*, 27 February 2003).

By revealing what had happened and issuing an apology, President Kim apparently attempted to put an end to the controversy, which he said was detrimental to inter-Korean relations. At that time, the incoming president, Roh Moo-hyun, had pressed Kim to clear up all the legacies of his government, let alone the opposition GNP. However, President Kim strongly opposed any criminal investigation into the case, since the peculiarities of inter-Korean relations required dealings beyond the usual legal parameters, but the opposition GNP dashed his wishes. On 26 February 2003, the GNP-

dominated National Assembly rammed through a bill to name an independent counsel to probe the cash-for-summit scandal, while the ruling MDP lawmakers boycotted the parliamentary session. President Roh did not veto the bill to appoint an independent counsel to investigate what GNP lawmakers called a bribery scam to induce Pyongyang to host the summit. On 26 March 2003, President Roh appointed lawyer Song Doo-hwan as independent counsel to probe the scandal.

Format of Preliminary Talks. To determine why a huge amount of cash, US\$450 million, was transferred to North Korea in the run-up to the inter-Korean summit, this section will first shed light on the format of the secret contacts for the summit. The Kim government sought to organize the summit with the help of Hyundai, whose North Korean business partner was the KAPPC, which had already accepted bribes from Hyundai since the inception of the Mt. Kumgang project, as observed in the previous section. For a cash-strapped state like North Korea, the KAPPC's fund-raising ability had vindicated its strategy of engaging South Korea, giving it an advantage over the opponents of the engagement option. The KAPPC has further consolidated its position after North Korean hard-liners' money-making businesses faced obstacles due to the Bush administration's increased blockage in the trade of missiles and other weapons.

From the outset, the process of setting the terms and conditions for the summit was hardly worked out through bilateral talks between secret envoys from North and South Korea, but rather through asymmetric, three-way negotiations involving the two Koreas and Hyundai. To explain the dynamics of the preliminary talks for the summit, it is necessary to detail first the organizational background of the KAPPC. Established in May 1994 and led by Workers' Party Secretary Kim Yong-sun, the KAPPC is an influential organization in charge of the promotion of political, economic and cultural exchanges with countries with which North Korea has no diplomatic ties.³⁸ Since the signing of a lucrative tourism deal in 1998, Hyundai's cash remittances helped upgrade the profile of the organization and Kim Yong-sun, who represented the pragmatic voice in favour of engagement with South Korea and the international community. Hyundai Asan's Vice President Kim Ko-joong (Interview: 2003) contended:

³⁸ According to the NIS homepage (<http://www.nis.go.kr/eng/north/others011213-4.html>), the KAPPC has 'three functions: 1) A channel for improving relations with Western countries including the U.S. and Japan; 2) Planning and coordination of inter-Korean dialogue and overall exchanges; 3) Invitation of influential foreign figures to North Korea'. According to a report by North Korea on 27 October 2003, Kim Yong-sun, who chaired the committee since its establishment, died after a traffic accident. Informed sources said that the post would remain vacant for the time being. It has four vice chairmen: Song Ho-gyong, Ri Jong-hyok, Jon Gum-jin and Kim Wan-su.

We cannot say there is any dovish figure in North Korea. However, there are two groups: one focusing entirely on North Korea's relations with the United States and the other taking a more pragmatic approach. The latter group wants to net profits through the improvement of relations with South Korea. As US\$25 million was remitted every month [by Hyundai], Kim Yong-sun won the spotlight. Hyundai's remittances were a sizable amount of money for North Korea's state economy to the extent that they were reflected in North Korea's state budgets for 2004 and 2005.

In reality, the KAPPC is a dual front organization that is entitled to represent North Korea politically as a state organ and sign business deals with foreign firms as a quasi-business agency. These unique characteristics of the KAPPC required the involvement of both the Seoul government and Hyundai in creating an agreement on a summit. While the South Korean government and Hyundai worked side by side to organize the summit, the KAPPC was able to handle the two parties simultaneously.

Linkage between Hyundai Remittances and the Inter-Korean Summit. This section will probe the linkage between Hyundai's remittances and the summit, a watershed event in the history of Korean division. The two separate probes into Hyundai's illegal remittances by the BAI and the independent counsel offered answers to many questions on the size, purpose and process of the remittances. Announcing the outcome of the 70-day investigation on 25 June 2003, the independent counsel concluded that the Hyundai remittances were linked to the summit meeting, because Hyundai sent US\$450 million to North Korea in a secret, illegal manner in conspiracy with government agencies shortly before the summit (*Hankook Ilbo*, 26 June 2003). One of the most significant findings of the independent counsel was the fact that US\$100 million out of the US\$450 million was paid by Hyundai on behalf of the South Korean government.³⁹ When asked about the nature of the US\$100 million,

³⁹ The process of reaching an agreement on the size of the cash remittances was not clearly revealed by the independent counsel's probe. According to informed sources and various newspaper reports, the North Korean envoy requested Minister Park at the time of their third contact in Beijing from 20-23 March that the South Korean government offer US\$500 million in return for the summit, an offer declined initially by the South Korean envoy. Prior to the envoys' meeting, North Korea was already negotiating with Hyundai, calling for the transfer of US\$1 billion in return for exclusive rights to operate major development projects in North Korea. Although Hyundai was tempted by these exclusive rights, it concluded the North Korean request was excessive and made a counterproposal that it pay US\$200 to US\$300 million for such projects as the construction of an industrial park in Kaesong and the introduction of mobile communications services in Pyongyang. North Korean envoy Song cut the original sum to US\$700 million during a meeting in Beijing on March 19, but Hyundai clung to its original US\$300

independent counsel Song told reporters: 'I reached the conclusion that it was the policy-level assistance, given that the summit organizers sought to remit a certain amount of money to North Korea in the process of organizing the summit. However, it is regrettable why the government decided not to take an open, lawful process at that time. I presume that they were not confident over organizing the summit through a transparent process' (*Chosun Ilbo*, 26 June 2003). When the North pressed the South Korean administration and Hyundai to send US\$450 million to Pyongyang prior to the summit, scheduled originally for 12-14 June, Hyundai and the South Korean government faced problems in preparing the huge amount of cash. As the government could not find ways to raise US\$100 million, the South Korean envoy, Minister Park, requested Chairman Chung in mid-May at a Seoul hotel to pay the money to North Korea on behalf of the government, while pledging assistance for Hyundai's efforts to secure loans from financial institutions. After the back-room deal, Seoul's policymaking elite arranged for Hyundai to secure 400 billion won or US\$341.6 million in loans from the state-run KDB and helped Hyundai to remit the money to North Korea secretly. In particular, Lim, chief of the nation's top intelligence agency at that time, gave instructions to his deputies to assist the process of sending the cash to North Korea. Lim (Interview: 2003) explained the situation as follows:

Since North Korea was aware of Hyundai's financial problems, revealed in the process of the government's restructuring schemes and the so-called 'revolt of a prince',⁴⁰ it apparently feared that Hyundai could not prepare the money. Therefore, North Korea pressed Hyundai to pay the money by the time of the summit, threatening to cancel the summit without the remittances. Therefore, we could not help but assist Hyundai since the summit was crucial for the improvement of inter-Korean relations.

From the outset, the KAPPC held negotiations with Hyundai in parallel with its talks with the South Korean government. The two secret envoys, KAPPC Vice Chairman Song and Minister Park, reached a package deal on the summit and the remittances of US\$450 million, evidence that the remittances were linked to the summit.

million offer. In a virtual ultimatum in April, the North Korean delegate demanded the transfer of US\$500 million in cash or there would be no summit. Finally, the Seoul government and Hyundai agreed to jointly pay US\$500 million in total, including US\$50 million for the construction of a stadium in Pyongyang.

⁴⁰ During a family feud in 2000 between the sons of Hyundai founder Chung over the succession of the Hyundai Group's ownership, Chairman Chung's elder brother, Mong-koo, broke away from the group, taking Hyundai Motor with him.

For the KAPPC, it did not matter who would pay the money, but the more, the better. To maintain its profile and vindicate its option of engaging South Korea, the KAPPC needed to find a continuous source of cash. Its organizational interests were in harmony with the objectives of the South Korean government and Hyundai, and played a major role in giving birth to the summit.

Meanwhile, the fact that North Korea told the South on June 10 to postpone the summit by one day touched off public speculation and attracted the independent counsel's attention that North Korea might have decided to put off the summit because of the failure of the remittances to arrive on the due date. Out of the 400 billion won in KDB loans, the HMM attempted to transfer 235 billion won or US\$200 million to North Korea's three Bank of China accounts in Macao via the bank's Seoul branch by 10 June,⁴¹ but bank officials told the independent counsel that the transfer was delayed to 12 June, one day before the summit, because the name of the holder of one bank account was misspelled. Following an investigation into the allegation, the independent counsel concluded that the one-day delay of the summit and the transfer of money were not related to each other, offering credence to the insistence by South Korean organizers of the summit that North Korea had requested the delay for security reasons. NIS director Lim, for example, told the independent counsel that when he visited Pyongyang on 27 May and 3 June, North Korea had already proposed that the date for a summit be rescheduled by one day for security reasons.⁴²

Decision-Making Process. The South Korean government demonstrated remarkable speed and secrecy in arranging the summit meeting. It took only one month from the first contact of the secret envoys on 8 March to the announcement of the summit on 10 April, a relatively short time in consideration of the various factors

⁴¹ Out of the 400 billion won in KDB loans, HMM sent 235 billion won or US\$200 million directly to North Korea, while spending 100 billion won to purchase the commercial papers of the Hyundai Engineering and Construction Company in order to help the construction subsidiary to raise a fund of US\$150 million for remittances to North Korea. Hynix Semiconductor independently raised US\$100 million from the assets of its branches in the United States and Japan. The raised cash was sent to North Korean bank accounts in Singapore and Austria by 12 June, one day before the summit, according to the independent counsel.

⁴² During the trial at the Seoul Appellate Court on 17 May 2004, Culture-Tourism Minister Park Jie-won further revealed what was discussed behind the scenes during preliminary negotiations between North and South Korea. Park claimed that the one-day delay of the summit had been caused by North Korea's proposal that President Kim pay tribute to the late North Korean leader's mausoleum during his stay in Pyongyang, a place foreign dignitaries are supposed to visit as part of their official itineraries (*Chosun Ilbo*, 18 May 2004). Since the proposal was rejected by the South Korean side, Park claimed that President Kim decided to travel to Pyongyang without reaching an agreement on the issue. On the day of his arrival, both sides held further negotiations over the issue but failed to narrow their differences. However, President Kim was notified the next morning that he did not have to visit the place.

involved, including North Korea's request for large-scale remittances.

As illustrated in Chapter Three, speed and secrecy resulted from the Kim administration's information-processing and decision-making mechanisms. As an activist government with profound knowledge regarding North Korea and a clear roadmap for engagement, the administration adopted the 'irrational bargaining module' featuring a simplified process in which the phases of expectations and strategy are immune to change while tactics are subject to modification according to the situation (Snyder and Diesing 1977). On top of this, the administration formed an inner group of policymakers, streamlining the decision-making process and maintaining outright secrecy even among other senior government post-holders. According to the Law on the South-North Exchanges and Cooperation, South Koreans wishing to contact or engage in transactions with North Koreans should win the Unification Minister's prior approval. Nevertheless, the key actors involved in the remittances did not abide by the law, since Unification Minister Park (Interview: 2003) insisted:

I have no knowledge about what made President Kim endorse the remittances of US\$450 million. I had been involved in the process only until the Berlin Declaration in March. After that, Chong Wa Dae took over.

Since Unification Minister Park was chair of the NSC standing committee, a weekly meeting of security-related ministers, his remarks demonstrated that the detailed process of organizing the summit had not been debated at the NSC meetings.

Wrapping up its probe into the cash-for-summit controversy, the independent council concluded that the process of transferring the cash to North Korea was based on the 'joint collaboration' of those from Chong Wa Dae, the NIS, financial institutions and Hyundai. It indicted a total of eight persons: four government officials (Culture-Tourism Minister Park,⁴³ NIS director Lim,⁴⁴ senior presidential secretary on economic affairs

⁴³ Minister Park was accused of requesting Chairman Chung in mid-May at a Seoul hotel to pay US\$100 million to North Korea on behalf of the South Korean government and then instructing senior presidential secretary on economic affairs Lee in late May to make an arrangement for the provision of 400 billion won in loans to Hyundai in a meeting held at an annex to the NIS headquarters in the presence of NIS director Lim. In a separate incident, Park was arrested on 18 June 2003 on bribery charges for receiving 15 billion won from Hyundai Chairman Chung in April 2000.

⁴⁴ Lim was accused of masterminding the process of the cash remittances. According to the independent counsel, Lim ordered NIS officials to exchange the Hyundai loans into US dollars and send them to North Korean bank accounts. NIS officials were confirmed to have endorsed the cheques sent to the KAPPC's bank accounts, a fact that the intelligence agency had been involved not only in the process of money exchange, but also in the process of transferring it.

Lee Ki-ho⁴⁵ and NIS official Choi Kyu-baek), two Hyundai executives (Chairman Chung and Hyundai Asan President Kim Yoon-kyu), and two bank executives (Governor Lee Keun-young⁴⁶ and Vice Governor Park Sang-bae from the KDB). Minister Park, NIS director Lim and Chairman Chung faced the same charges of violating the Law on the South-North Exchanges and Cooperation and the Law on Foreign Exchange Transactions. Minister Park was subject to an additional charge of abusing his power, while Chairman Chung was also accused of doctoring company books to hide the money transfers.

The independent counsel's probe highlighted the roles of the two key actors, NIS director Lim and Culture-Tourism Minister Park. If Lim was known as the key architect of the Sunshine Policy after President Kim, Park was one of the most prominent political figures of the Kim administration who served in both President Kim's party and administration. While the independent counsel indicted Lim and Park, it failed to shed light on the role of President Kim. The independent counsel did not summon President Kim for interrogation, but only mentioned in an announcement, 'The independent counsel confirmed through the remarks by Park Jie-won, Lim Dong-won and Lee Ki-ho that former President Kim Dae-jung was aware of the remittances to North Korea. However, we did not launch an investigation on President Kim, since we couldn't secure evidence that former President Kim had been involved in an illegal act' (*Hankook Ilbo*, 26 June 2003). By noting that Minister Park served as a 'presidential envoy' when he reached the agreement on the remittances of US\$450 million on 8 April, the independent counsel confirmed that Park had received direct instructions from President Kim (*Donga Ilbo*, 26 June 2003).

The Nature of the Cash Transfer. One of the lingering questions in this cash-for-summit scandal has been how the remittances should be defined, a question which will offer a clue to the identity shifts of the South Korean leadership. As observed above, the provision of US\$450 million was linked to the summit, while the key government officials played respective roles in preparing and sending the money to North Korea.

The judgement by the independent counsel was that, out of the US\$450 million

⁴⁵ Lee ordered KDB Governor Lee Keun-young and Vice Governor Park Sang-bae to extend 400 billion won in loans to Hyundai in June.

⁴⁶ The independent counsel first arrested Lee Keun-young, governor of the state-owned KDB in 2000, for secretly authorizing 400 billion won in loans to the HMM on 7 June. Lee told the independent counsel that he agreed on the loans to Hyundai at the request of senior presidential secretary Lee, since he believed Lee's request was tantamount to President Kim's. Lee added that then presidential chief of staff, Han Kwang-ok, also called him to assist Hyundai. Lee Keun-young's statement soon led to the arrest of Lee Ki-ho on 28 May 2003.

agreed upon during the envoy's meeting, US\$350 million was Hyundai's 'up-front payment' for future investment in cooperation projects in North Korea, while US\$100 million was 'policy-level assistance' by the South Korean government (*Hankook Ilbo*, 26 June 2003).⁴⁷ The independent counsel's judgement was based on Chairman Chung's allegation that Hyundai agreed to pay a total of US\$500 million to win exclusive rights to launch the seven projects in North Korea. Even though the payment was the outcome of a series of negotiations with North Korea from 1999 to win key development projects, Chung contended that his group decided not to reveal it to the public, since it might cause 'unnecessary competition' with firms from other countries, including Japan, Australia and the United States, which had expressed interest in North Korean projects (*Chosun Ilbo*, 17 February 2003). Hyundai's ambition to monopolize all major development projects in North Korea was the target of 'resentment' by US companies (Lee W.S. 2003: 61), as well as jealousy and criticism from domestic companies in view of its gigantic size and economic feasibility. President Kim and NIS director Lim also claimed that the remittances were made in return for the rights to operate the seven large projects in North Korea (*Donga Ilbo*, 15 February 2003). Hyundai's North Korean partner, KAPPC, argued that it was a business deal with Hyundai by announcing: 'The North allowed Hyundai to use Mt. Kumgang, the famous mountain of Korea, and the Kaesong Industrial Zone, a scenic spot with many historical relics, and granted to it business right in railways, power, telecommunications and other key industrial fields, something unimaginable, judged by common sense' (*KCNA*, 10 March 2003). It dismissed the cash-for-summit scandal as a fabrication by the GNP and rightist forces in South Korea.⁴⁸ Therefore, the independent counsel took precautions in defining the nature of the remittances in spite of their linkage with the summit and fell short of calling them a 'payoff' for the summit. Subsequently, the Seoul Appellate Court upheld the district court's ruling and the independent counsel's finding in a ruling on 26 November 2003 by noting that Hyundai's remittance to North Korea was closely related to the holding of the summit, an 'act of state' that was not the object of the court's deliberations, but the remittances, made in breach of relevant laws, could not be considered as an act of state (*Chosun Ilbo*, 27 November 2003). The court, however,

⁴⁷ Tait (2003: 320) argues that the demand for up-front payment or bribes by North Korean officials is an established practice, which could be exploited by foreign investors.

⁴⁸ The KAPPC issued a series of statements, supporting Hyundai's position and criticizing the conservative newspapers and opposition parties. When Hyundai's chief executives were banned from leaving South Korea and faced imminent arrest by the independent counsel, a spokesman for the KAPPC issued a statement on 29 May 2003, calling for South Korean authorities' special considerations, because it needed to hold talks with Chairman Chung at the Mt. Kumgang resort to discuss the opening of the overland route to the mountain (*Yonhap News Agency*, 2 June 2003).

concluded that it was neither 'necessary' nor 'possible' to make a judgment on whether the remittances were a payoff for the summit (*Donga Ilbo*, 27 November 2003). Finally, the Supreme Court upheld the previous rulings on 28 March 2004, noting that those convicted lacked in efforts to form a public consensus regarding the remittances and resorted to illegal means (*Yonhap News Agency*, 28 March 2003).

Meanwhile, the opposition GNP raised the possibility that the entire remittances might be bribes for holding the summit, noting that Hyundai had no reason to send the money to North Korea secretly via the NIS, if the remittances were made as a result of business transactions between the two sides, as announced by the independent counsel. Even before President Kim officially finished his tenure on 25 February, GNP chairman Suh Chung-won demanded that President Kim step down immediately and be punished for his illegal acts (*AFP*, 3 February 2003). The opposition party's allegation was supported by South Korea's conservative newspapers. Reminding its readers that President Kim's Chief of Staff Park Jie-won told the parliament in 2001 that the government did not pay a penny to North Korea in connection with the summit, *Chosun Ilbo* (26 June 2003) criticized the Kim administration for 'deceiving' parliament and the public. In an editorial on the same day, the newspaper lamented the unlawfulness and collusion of the entire state system, paraphrasing that the Kim government had secretly funnelled a large amount of taxpayers' money to North Korea to realize a summit; Chong Wa Dae pressed banks to make illegal loans to Hyundai; the NIS offered assistance for the illegal transfer of money; and Hyundai forged its books to cover it up.

The size of the remittances appears to be the result of intense bargaining among the two Koreas and Hyundai, but the remittances do not look like a payment for specific projects in view of their timing and process. In fact, the so-called 'seven infrastructure projects', to be elaborated later in this section, were not a set of neatly authored individual projects, but a hotchpotch of various projects conceived by Hyundai and North Korea. For example, the project for the construction of an airport in Tongchon near Mt. Kumgang, was already part of Hyundai's exclusive rights to develop the Mt. Kumgang area, but it was included as one of the seven projects, giving the impression that the seven projects were a set of hastily conceived ideas. NIS director Lim (Interview: 2003) noted that the communication project was newly included in the list of the seven projects, when Hyundai launched a fresh round of negotiations with North Korea after agreeing to the government's request that it pay US\$100 million on behalf of the government. Discrediting the value of each project, Hyundai Asan Vice President Kim (Interview: 2003) noted:

The seven projects were just a collection of various ideas raised during our negotiations with North Korea that had started long before the summit, even though we reached an agreement on 22 August [2000]. We were interested in some of them, while North Korea wanted us to take up the others.... I can say that the decision on the remittances prior to the summit was, therefore, made from the level of the state.

Even though Chairman Chung claimed that the negotiations on the infrastructure projects started from 1999, a tentative agreement between Hyundai and North Korea regarding the seven projects was reached in Beijing on 3 May 2000 after the secret envoys had already reached a package deal on the summit and Hyundai's payment of US\$400 million on 8 April, according to the findings of the independent counsel. Hyundai and North Korea signed a formal contract as late as 22 August. NIS director Lim (Interview: 2003) provides an insight into the question through his own interpretation on the nature of the remittances. Lim compared it to the 'commission which US arms dealers, for example, pay to foreign governments in the process of reaching a final agreement or the US\$3 billion the Roh Tae-woo government pledged to offer in loans prior to its diplomatic normalization with the Soviet Union in 1990'. Lim's analogy is plausible, since the transfer of the money was completed in June, timed with the summit, which was two months before Hyundai and North Korea actually signed a contract on the seven projects. In a sense, Hyundai was both the largest beneficiary and loser in this deal, since it was pressed by North Korea to complete the remittances even before the signing of a contract, while it secured large-scale preferential loans with the help of the South Korean government. As of March 2004, none of the seven projects had made any progress and existed only on paper.

The above-mentioned information shows that Seoul's inner group of policymaking elite had strived to organize a summit by mobilizing every possible means, thus supporting this dissertation's proposition that an activist government, which had already shifted identities vis-à-vis an enemy state, could compromise imminent security threats from an enemy state's possible use of the cash for the purchase of weapons for the long-term goal of trust building and integration. Deputy Unification Minister Hwang Ha-soo (Interview: 2003) noted:

There have been ideas regarding other forms of economic assistance instead of cash. If there were no cash, how could North Korea believe us? In a nutshell, the reason why North Korea accepted the summit was cash. The North Korean

government had started to believe the South Korean government, since it allowed Hyundai to pay the cash in spite of the US objections. They reached the conclusion that the Kim administration is somewhat different.

In this vein, some scholars claimed that the remittances could be regarded as part of the unification costs (Kim K.S. 2002: 112). Ko (2002) stressed the need for the successful maintenance of the Mt. Kumgang project for the long-term development of inter-Korean relations rather than strictly applying the rules of business to the project. In particular, he diverted attention to the appropriate proportion of the engagement costs against the huge defence spending in South Korea's annual budgets. For example, the government-level assistance to North Korea in 2001 totaled 91.3 billion won or US\$72.8 million, which is only about 0.59 per cent of the annual budget for national defence amounting to 15.388 trillion won or US\$12.20 billion. Lee Jang-hee (2003) noted that West Germany had extended 1.95 billion marks or US\$ 750 million in loans to East Germany in the 1983-4 period after a summit between Chancellor Helmut Schmitt and East German leader Erich Honecker in December 1981, demonstrating the loan's possible linkage to the summit. The West German government also paid a huge amount of money to East Germany for securing custody of 33,755 East German political prisoners. Nevertheless, the German opposition parties have never called for a probe into the behind-the-scene deals, since they did not wish to damage East Germany's self-esteem through the disclosure of the money transfers with the hope of fostering further developments of inter-German relations (ibid).

3.3.2. Large-Scale Investment

This section will analyze Hyundai's large-scale investment in North Korea, which was possible partly due to the remittances of US\$450 million and the guarantees by the leaders of the two Koreas in spite of North Korea's military provocations, mentioned in the previous section. While working jointly to organize the summit, the Kim administration and the Hyundai group formed an invisible business partnership, as the two parties needed each other to pursue the risky North Korean projects.

As Hyundai Asan Vice President Kim (1999) noted, the Mt. Kumgang project is not simply a tourism project, but a 'comprehensive' development project that could help stimulate the economic growth of the two Koreas. Furthermore, the partial opening of the Mt. Kumgang area as a special district for tourism could be interpreted as an initial sign of the formation of a Korean economic community and the reclusive state's further integration into the global economy (Ko 2002).

This section will analyze the Mt. Kumgang project as Hyundai's major investment scheme in North Korea, followed by another large-scale project: the construction of the Kaesong industrial park. In particular, Mt. Kumgang and Kaesong are two special districts newly designated by the North Korean government. Previously, North Korea had Rajin-Sonbong and Shinuiju as special economic zones as part of its efforts to escape the economic isolation and experiment with the capitalist way of production.

3.3.2.1. The Mt. Kumgang Project

As already illustrated in the above sections, the tourism project was the only tangible achievement among Hyundai's various projects in North Korea during President Kim's five-year tenure, since the other projects showed no progress, except for the Kaesong industrial park project, which picked up momentum at the end of his tenure.

The Size of Hyundai's Investment. On 29 October 1998, Hyundai agreed to pay a total of US\$942 million until March 2005 to its North Korean counterpart for exclusively developing Mt. Kumgang and its adjacent coastal areas stretching from the DMZ to the city of Wonsan, as well as enjoying various privileges in tax, tariff, levies, foreign exchange dealings, remittances and others. As shown in Table 6.2, Hyundai paid US\$410,880,000 as of the end of October 2003, leaving about US\$340 million in arrears, according to the original agreement.⁴⁹

Table 6.2 Hyundai's Remittances for the Mt. Kumgang Project

Year	Yearly Sum	Aggregate Sum (Unit: US\$1,000)
1999	206,000	206,000
2000	136,000	342,000
2001	37,212	379,212
2002	21,492	400,704
October 2003	10,176	410,880

Source: Hyundai Asan (2003).

⁴⁹ According to the 1998 agreement, Hyundai was set to pay US\$150 million until May 1999 (US\$25 million a month), US\$72 million until February 2000 (US\$8 million a month), and US\$720 million until February 2005 (US\$12 million a month).

Since Hyundai suffered from financial difficulties because of its massive investment and a dwindling number of tourists, which fell short of Hyundai's expectations, Hyundai renegotiated the contract and reached a new agreement with North Korea on 8 June 2001, which reflected Hyundai's wishes to link the payment to the number of tourists rather than the monthly lump-sum payment.⁵⁰ Under the new scheme, North Korea promised to accept US\$100 per person travelling via sea and US\$50 per person using an overland route, and designate the resort as a special tourist zone. Despite the agreement, the process of opening an overland route and designating the area as a special tourist zone did not make smooth progress, forcing Hyundai to cut down monthly payments to North Korea. For example, Hyundai's payment for two months, September and October in 2003, amounted to only about US\$3 million, a small sum of money compared with the original agreement of US\$12 million a month (Hyundai Asan 2003). This fact shows that North Korea, which had already netted a huge sum of cash from Hyundai, allowed it to operate the tourism project even in the absence of the steady flow of promised funds in consideration of Hyundai's financial troubles.

On top of these monthly payments, Hyundai spent an estimated US\$145 million as of the end of August 2003 to transform the poorly equipped area into a tourist resort catering to South Koreans' demands. As seen in Table 6.3, Hyundai's spending of US\$78,681,000 for the construction of large-scale port facilities to accommodate luxurious cruise ships took the lion's share of the funds. Hyundai also constructed a performance hall, a spa, a restaurant, souvenir shops, a floating hotel, a beach and other amenities, thus wrapping up the first-phase development in the area.

In the second phase from 2003 to 2005, Hyundai plans to build hotels, golf courses, ski resorts, a cable car and a light-industry complex, while the final phase from 2006 will include the construction of an airport, a maritime museum and many other resort facilities (Hyundai Asan 2003). When the construction works are completed, 1,000 to 2,000 tourists a day could enjoy hiking and a variety of amusement and recreation facilities. Hyundai's construction plans were, nevertheless, several years in

⁵⁰ In the initial stage of negotiations, the two sides faced troubles over how to settle the arrears in monthly fees, which amounted to US\$34 million during the first four months of 2001. Hyundai made three proposals. First, it sought to halve the US\$12 million monthly fee, noting that it would reimburse the rest beginning April 2005. Second, it pursued the opening of an overland route to increase the number of tourists. Third, it pressed North Korea to designate the mountain resort as a special tourist zone. North Korea showed reluctance initially, demanding that Hyundai first clear deferred payments before it would start discussing the revision of the original agreement.

arrears, given that the company had originally planned to invest a total of US\$397.13 million to construct two golf courses, 1,000 room-class floating hotels, a 0.9 million pyong-class ski resort and other recreation facilities around Mt. Kumgang by the year 2000.

Table 6.3 Hyundai's Facility Investment

Project	Details	Investment(US\$1,000)
Port facilities	Piers and breakwater	78,681
Spa	1,000 customers	17,326
Floating Hotel	160 rooms	11,000
Support facilities	Office and accommodation	10,722
Guide facilities	Tourist roads and buses	10,423
Performance Hall	620 seats	7,528
Restaurants	447 pyong*	3,640
Souvenir Shops	434 pyong	3,134
Spa condominium	120 rooms	616
Beach		251
Others		1,492
Total		144,813

*One pyong is 3.3 square meters.

Source: Hyundai Asan (2003).

The Number of Visitors. As demonstrated in the Kyungnam University survey, mentioned earlier, South Korean tourists to Mt. Kumgang showed signs of shifting their attitude positively towards the expansion of inter-Korean cooperation projects. Originally, Hyundai planned to attract 4.9 million tourists to the mountain resort by the year 2004, with the figures being increased from 340,000 tourists in 1999, 540,000 in 2000, 850,000 in 2001, 930,000 in 2002, 1.04 million in 2003, and 1.2 million in 2004.

However, the actual number of tourists fell short of the estimation, causing profound financial difficulties for Hyundai, as shown in Table 6.4.

Table 6.4 The Operation of Cruise Ships

	Total	1998	1999	2000	2001	2002	August 2003	
							Sea	Overland
Number of Tourists	542,575	10,543	147,460	212,020	58,833	87,414	23,107	3,198
Number of Ferry Services	1,119	23	255	392	213	175	61	7
Number of Cruise Ships	4	2	3	4	4(- June) 1 (July -)	1	1	

Source: Hyundai Asan (2003).

The decrease in the number of tourists, which forced Hyundai to cut the number of cruise ships in operation from 4 to 1, has been attributed to many factors.⁵¹ First, Hyundai failed to handle a large number of complaints, caused by the relatively high costs of the package tour using cruise ships and the monotonous tour itineraries (Cho 2002: 50).⁵² Second, North Korea ignored the concept of profit, refusing to allow overland access until 23 February 2003, dragging out negotiations, and imposing various restrictions on tourists.

One noteworthy point is that Hyundai maintained the tour services in spite of the West Sea skirmishes in 1999 and 2002. Hyundai Asan Vice President Kim (Interview: 2003) recalled:

On the day of the first West Sea clash, which caused commotion among South Korean businessmen stationed in Beijing, including those from Samsung planning to fly into Pyongyang for business talks, I met North Korean officials there. I asked them whether we could hold discussions about our projects in this

⁵¹ Hyundai suspended cruise ship operations because of the huge costs involved and, as a result, since late 2003, operates only overland tours via the DMZ.

⁵² The tour package using a cruise ship costs 450,000 won or US\$400 per person (Hyundai Asan 2003).

situation. A North Korean official replied, 'We should continue to discuss our national projects, since the West Sea incident is an accidental one'. Therefore, we held negotiations as scheduled despite the incident.

The only exception was the 45-day suspension of tours in 1999 when North Korean authorities detained Min Yong-mi, a South Korean housewife, on 20 June for allegedly trying to lure a North Korean guide to defect to South Korea.⁵³ The Hyundai executive said that the suspension of the tour was not the South Korean government's instruction, but Chairman Chung's decision to secure the custody of the woman as soon as possible. Even though the woman was released in five days after writing a letter of apology, Hyundai suspended the tour until it secured North Korea's commitment that it would not detain South Korean tourists in the future. Since the incident took place five days after the West Sea skirmishes, some observers interpreted it as North Korea's retaliation for its heavy casualties during the inter-Korean military clash (Lee W.S. 2003: 67).

Hyundai's Partnership with the South Korean Government. Hyundai and the Kim government engaged in close teamwork from the inception of the Mt. Kumgang tourism project. When the financially stricken conglomerate found it hard to maintain the money-losing project independently, the Kim government rescued it by nominating a state-run agency as Hyundai's business partner. On 29 August 2000, Hyundai and the state-run KNTTO signed an agreement of cooperation for the development of tourism packages linking tourist attractions in North and South Korea. The initial agreement developed into a more binding contract on 20 June 2001, right after the Hyundai-KAPPC agreement on 8 June. The state-run tourism agency decided to join the project as co-operator, which opened the way for a loan of 90 billion won to be used for the Hyundai project from the state-administered South-North Exchanges and Cooperation Fund. As of October 2003, the KNTTO took over some portions of Hyundai's assets at the resort by spending 84.4 billion won from the fund. KNTTO's participation, however, invited criticism by the opposition GNP, which attacked the government for salvaging a troubled private project with taxpayers' money (*Korea Times*, 8 July 2001). However, an opinion poll, commissioned by the MOU, revealed that a majority of South Koreans supported the maintenance of the project regardless of the state agency's participation (*ibid*).

⁵³ The South Korean woman was quoted as saying 'As we travel to Mt. Kumgang, we wish you would come to South Korea to live when unification is realized. [North Korean] defectors Chon Chol-u and Kim Yong live a happy life in South Korea'.

Despite the joint efforts, the number of tourists dropped to about 1,000 a month in January 2002, a situation that put the survival of the project at stake (MOU 2003). Calling the Mt. Kumgang tourism a 'peace project', Cho Myong-gyun, director general of the MOU's Exchanges and Cooperation Bureau, announced a package of measures on 23 January 2002 to aid the tourism project (*Korea Times*, 23 January 2002). It decided to subsidize trips by South Korean students, teachers, separated family members and disabled people, a decision that resulted in a substantial increase in the number of tourists from April 2002 (MOU 2003). A total of 57,218 South Koreans travelled to Mt. Kumgang in 2002 with state subsidies amounting to nearly 21.6 billion won (Hyundai Asan 2003). Responding to Hyundai's further requests, the MOU granted another preferential treatment by allowing Hyundai to operate a duty-free shop on Mt. Kumgang. The government's action was taken with the hope of maintaining the project against all odds, while inducing North Korea to designate the area as a special tourism district and open a cross-border overland route to Mt. Kumgang (ACDPU 1/4 2002). Kim Young-yoon (2002) noted that the start of overland travel, however, had been delayed because of various reasons: first, the North Korean leadership, especially the military, was reluctant to open the militarily sensitive area on the inter-Korean border; second, North Korea reacted negatively to South Korea's high military alertness in the wake of the 9/11 terrorist attack on the United States; third, Hyundai failed to make due remittances to North Korea. Lee Jong-sok (2001) put the case that Hyundai's failure to send due cash remittances eroded the rationale for the KAPPC's adherence to engagement, which in turn paved the way for the resurgence of the North Korean military's voice in the decision-making process. Finally, in South Korea, the Kim administration that sought to extend the government-level financial assistance to the project faced stiff opposition from the opposition parties (ibid).

An Interim Assessment of the Mt. Kumgang Project. As shown above, the Mt. Kumgang project was the target of both eulogies, as a monumental project of inter-Korean rapprochement, and criticisms, as a symbol of the Sunshine Policy's 'unrequited love'. First, the tourism project incurred a loss of 800 billion won or nearly US\$700 million to Hyundai as of 18 November 2003 during the five-year operation of the tour programme (*Kukmin Ilbo*, 26 November 2003). Because of the financial losses, the project has been subject to the opposition GNP's demand that it be suspended immediately to save the taxpayers' money.

Second, the tourism programme enabled half a million South Koreans to travel to North Korea, a number unimaginable under the previous South Korean

administrations. Through these trips, a large number of South Koreans were able to ameliorate their decades-long animosity vis-à-vis North Korea.

Third, there is still a long way to go before the Mt. Kumgang resort could emerge as a major tourist destination for South Koreans and foreigners because of various obstacles, such as the restrictions on tours inside the resort area, the shortage of lodging facilities and the lack of funds for additional investment (Cho 2002; Ko 2002). The tourism project in North Korea has the potential of growth if these obstacles are cleared, since South Koreans spend US\$25 billion a year for leisure and tourism alone (*Daehan Maeil*, 18 February 2003).

Fourth, Hyundai was able to maintain tour programmes in spite of military crises, such as the two naval skirmishes in 1999 and 2002 and North Korea's admission of a nuclear weapons programme in October 2002,⁵⁴ and Hyundai's financial crisis, which forced the South Korean company to postpone payments indefinitely. This uninterrupted tour service reflected various factors: first, the Kim administration's efforts to separate economic affairs from political and military considerations; second, Hyundai's efforts to build close human relationships with North Korean officials and monopolize every possible development project in North Korea through bribes and massive investment; third, the South Korean public's shift of identities vis-à-vis North Korea; and fourth, North Korea's shift of attitude towards South Korea.⁵⁵ All these factors worked dialectically to prevent the spill-back of inter-Korean relations to the pre-Sunshine Policy period.

⁵⁴ Under the Roh Moo-hyun administration, the tour programme suffered from temporary suspension because of such incidents as the SARS epidemic and the death of Chairman Chung on 4 August 2003. North Korea, citing the SARS epidemic, suspended the tour programme for two months from 25 April to 27 June 2003. Nevertheless, the inauguration of an overland route and the improvement of other conditions increased the number of tourists to the extent that Hyundai could not accommodate the rising demand (*Hankook Ilbo*, 2 March 2004).

⁵⁵ North Korea's belated attention to the project brought about a new optimism over its long-term viability. On 13 November 2002, North Korea designated the area as a special tourist district, awarding Hyundai the right to use the land for 50 years. South Koreans were also permitted to travel overland from 1 September 2003 after trial tours in February and August. On 14 February 2003, a group of 498 tourists, led by Chairman Chung, first made a pilot overland trip to the mountain via a newly built cross-border road running through the DMZ in spite of the escalating tension over North Korea's newly revealed uranium enrichment programme (*Korea Times*, 14 February 2003). Seoul-based diplomats from eight countries also joined the tour. In the previous week, Hyundai officials surveyed the route, marking the first time in half a century that South Korean civilians were officially permitted to cross the DMZ on an alternative route besides the truce village of Panmunjom. Earlier, the KCNA, citing the KAPPC, reported that Chairman Chung and Hyundai Asan President Kim should become the first to cross the border in a friendly gesture to the Hyundai executives, who had been barred from leaving the country, since a probe was underway to determine whether they offered huge cash remittances to North Korea ahead of the inter-Korean summit, as discussed above (*Korea Times*, 2 February 2003). With the introduction of an overland route, the rates for a three-day tour decreased to about 250,000 won or US\$200.

3.3.2.2. The Kaesong Industrial Park Project

If the Mt. Kumgang project opened the way for South Koreans to travel to North Korea for the first time after five decades of national division, the Kaesong industrial park project was conceived to attract large-scale investment by small- and medium-sized South Korean companies to the North Korean city just north of the inter-Korean border. As Kaesong is located 70 kilometres northwest of Seoul and 170 kilometres south of Pyongyang, its geographical location attracted keen attention from South Korean investors, which had lost labour competitiveness in comparison with their counterparts in China (Hong 2002). While South Korean small- and medium-sized businesses paid attention to exploiting North Korea's status as a low-wage workshop, Hyundai sought to give a major facelift to the city as an internationally competitive district for industry, transportation, commerce and tourism, which could bring about far-reaching consequences in North Korea's state economy and the eventual formation of a pan-Korean economic community (ibid).

Hyundai's Development Plan. The construction of the industrial complex and an adjacent city with a total size of 66.1 square kilometres was first agreed upon tentatively on 9 August 2000 between Chairman Chung and North Korean leader Kim. Subsequently, Hyundai and its North Korean business partners, the KAPPC and ANEC, formally signed a contract on 22 August under which 66.1 square kilometres of land is allocated into 26.5 square kilometres of an industrial complex and 39.6 square kilometres of an adjacent town (Hyundai Asan 2003). Hyundai plans to complete the development of about 3.3 square kilometres of land in the first year of the eight-year project, where about 300 firms mostly from the textile, leather, footwear and electronics sectors could move in, hiring an estimated 26,000 North Korean workers. The three-stage project will require a huge investment of 3 trillion won in addition to the expenses for the construction of individual buildings and infrastructure for electricity and water supply (ibid). A Hyundai official said: 'The new district will be abuzz with 2,000 companies and 149,000 employees nine years later if all the obstacles are successfully taken away' (*Korea Times*, 6 November 2002).

The estimated industrial output and profits from the project vary. Hyundai estimated that the annual output from 2,000 companies to be accommodated in the complex would amount to US\$15 billion.⁵⁶ According to the Hyundai Research Institute, the industrial park project will bring about an economic effect amounting to

⁵⁶ Detailed information on the industrial park is available at Hyundai Asan's homepage, www.hdasan.com (accessed 15 February 2004).

US\$11 billion to South Korea, while North Korea will secure US\$2 billion in hard currency. Hong (2002) said the project is a 'win-win' strategy for both North and South Korea, which could alter the economic landscape in Northeast Asia. For North Korea alone, the project and its ripple effect might bestow upon the North an economic bonanza amounting to US\$7.34 billion, 70 per cent of its national budget of US\$10 billion in 2002, while South Korea might net even heftier benefits of US\$52.4 billion, including the reduction of labour costs estimated at US\$26.29 billion (ibid).

North Korea's Interests in the Industrial Park Project. North Korea launched a series of legal steps to turn the border city into a centre of trade, industry, commerce, finance and tourism as an example of its asymmetrical economic development strategy aimed at cutting off the rest of its territories from the new economic zone. On 13 November 2002, the Presidium of the Supreme People's Assembly designated Kaesong as a special industrial district and adopted the Kaesong Industrial Complex Law on 20 November. It took additional measures on 24 April 2003 by introducing 32 articles of regulations on the establishment and operation of enterprises in the zone (KCNA, 30 June 2003). One notable feature of the law is that a special management agency operates the industrial complex unlike the Rajin-Sonbong district where a city council holds authority over the complex. The law opened the possibility that a South Korean national could be appointed as head of the special management agency, which is legally a North Korean administrative body (Ministry of Justice, 2003). Therefore, the Ministry of Justice called for a thorough probe into the pros and cons of the possibility. Since Hyundai and North Korea agreed to the minimum wage of US\$57.5 per month, a survey by the Korean Chamber of Commerce and Industry said that 83.5 per cent of 124 South Korean companies seeking to invest in the industrial complex responded favourably to the wage level (*Chosun Ilbo*, 18 November 2003).

Hyundai's Partnership with the South Korean Government. Like the Mt. Kumgang project, the industrial park project was not a purely private project sought by Hyundai, which was suffering from financial difficulties. To prop up the project, the Kim administration enabled the state-run Korea Land Corporation (Koland) to participate in the project as Hyundai's business partner from November 2000. Under the new cooperation scheme, Koland and the South Korean government were to take up all financial burdens, estimated at 220 billion won, in the construction of the industrial park, while Hyundai would play a coordinating role.

To guarantee the smooth progress of the project, it was crucial for Hyundai and

Kolond to secure cooperation from other South Korean state-run agencies, since North Korea had no capability to supply electricity, communications, gas and water to the industrial park. Hyundai and Kolond launched negotiations with the Korea Electric Power Corporation, Korea Telecom and other South Korean state-run agencies to secure all the utilities from the South Korean side during the initial stage of the project (Hyundai Asan 2003). As seen in a poll of 600 South Korean companies, commissioned by the Federation of Korean Industries, South Korean businesses were still sceptical about their chances of opening a factory in Kaesong. Asked whether they would open a factory there, 55 per cent said that it was 'unlikely' and 24 per cent said 'never', citing their concerns over electric power, road access, telephone service and freedom to conduct business operations (*New York Times*, 21 August 2003).

An Interim Assessment of the Industrial Park Projects. Unlike the Mt. Kumgang tourism project, the Kaesong industrial park scheme could enable North Korea to experiment with the capitalist mode of manufacturing in a full-fledged manner, which could help it to join the global system of production. Nevertheless, the project itself has many obstacles to overcome. First, business establishments in North Korea pose problems to South Korean investors because the possibility of market access to Japan, Europe and the United States is uncertain. The United States is set to impose tariffs on products of North Korean origin 30 to 50 per cent higher than those from China, since North Korea cannot enjoy the benefits of MFN, reducing the price competitiveness of North Korean products, while it is not certain how Europe and Japan would respond to the idea of an industrial complex in North Korea because of a series of outstanding problems, including North Korea's nuclear weapons programme, abduction of Japanese nationals and poor human rights record. Second, there is the possibility that, because of the above-mentioned problems, the construction of an industrial complex might offer North Korea a new impetus to improve its relations with the United States and Japan by alleviating tension resulting from its nuclear and missile programmes. Third, South Korean businesses, despite their scepticism, demonstrated their interests in the project, since they can make use of inexpensive land in a location near Seoul and a cheap labour force without any language barrier. As industrial hollowing out is taking place in South Korea as a result of the massive departure of industries to neighbouring Asian countries in pursuit of cheap labour, Hyundai sees a rosy future for Kaesong, the capital of the Koryo Kingdom (918-1392), where it can offer better conditions to South Korean industries in terms of geographical proximity to Seoul and the Incheon International Airport, as well as competitive labour and land costs. On 30 June 2003, a ground-

breaking ceremony was held in Kaesong with about 200 North Korean and 13 South Korean officials and businessmen attending. On 25 August, Hyundai Asan organized a trip for 250 South Korean business leaders to inspect the site of the future industrial park, which has drawn applications from 900 companies, largely in textiles and light manufacturing. According to Koland, a total of 135 South Korean companies, including Romanson (watchmaker), Pulmuwon (food processing) and Living Art (kitchenware), made applications with the state agency to open a factory in Kaesong by the end of 2004 (*Yonhap News Agency*, 27 May 2004).

3.3.3. Infrastructure

South Koreans' tour to Mt. Kumgang and their contacts with North Koreans helped alleviate their decades-long animosity towards North Korea. To facilitate these fledging human interactions and create a physical linkage between the two formerly antagonistic states, the South Korean government needed to launch new projects to connect the severed railways, roads and sea lanes and improve North Korea's outmoded infrastructure. For example, the envisioned railway connection between North and South Korea was not simply an inter-Korean cooperation project, but a grand project for South Korea, virtually an island,⁵⁷ to stretch towards the Eurasian continent by linking its railways with the TSR and TCR. During his press conference in Seoul after the summit, President Kim called the railway 'an iron silk road', which could save transportation costs to Europe by 30 per cent in addition to a significant cut in the time of transportation.

Background. The main reason why Hyundai had spent such an enormous amount of money on the Mt. Kumgang project in the form of bribes and monthly payment is not explained without an analysis of North Korea's potential demand for the modernization of its outmoded infrastructure. The Mt. Kumgang project was, in fact, a base camp for Hyundai to win major infrastructure projects in North Korea. Since Hyundai's North Korea infrastructure projects, agreed upon in the course of arranging the 2000 summit, was gigantic in size and scope, the South Korean government viewed this as an opportunity for inter-Korean economic integration, as well as a challenge in view of the potentially huge costs.

Hyundai, originally a giant in the construction market worldwide, faced serious liquidity troubles in the face of the decline in new demand for construction, a situation

⁵⁷ South Korea was called an island since it is surrounded by sea and its only access routes to the Eurasian continent were completely cut off by the DMZ.

which prompted it to turn its attention to the modernization of North Korea's infrastructure as the next frontier (Lee W.S. 2003: 61). As North Korea had started showing signs of change, Hyundai needed to move quickly to monopolize all the projects ahead of Western companies taking them over (ibid). Given its scale, it was impossible for Hyundai to implement the projects on its own, thus requiring a partnership with the South Korean government.

As shown above, the two Koreas had started indirect contacts, brokered by Hyundai, to organize a summit before President Kim issued the Berlin Declaration in March 2000. Apparently responding to North Korea's desire for assistance, particularly in the field of the modernization of its infrastructure, President Kim offered an assurance in his Berlin statement (Appendix VIII):

[T]he Government of the Republic of Korea is ready to help North Korea tide over its economic difficulties. Presently, private-sector economic cooperation is underway under the principle of separating the economy and politics. However, to realize meaningful economic collaboration, the social infrastructure, including highways, harbors, railroads and electric and communications facilities, must be expanded. The Governments of the two Koreas have important roles to play, including conclusion of bilateral agreements regarding investment guarantees and prevention of double taxation, so that private businesses will be able to invest in a secure environment.

President Kim's remarks indicated the necessity of a summit meeting and follow-up measures to protect private investment in North Korea, while showing readiness to help North Korea to improve its infrastructure, if requested. Instead of officially asking for assistance from the Seoul government to modernize its infrastructure, North Korea chose Hyundai to take up all major projects, mentioned by President Kim in the speech, which was secretly endorsed by Seoul's policymaking elite in the form of Hyundai's remittances of US\$450 million in cash.

The Size of Hyundai's Infrastructure Projects. In a major outcome of the cash remittances, Hyundai and its North Korean business partners, the KAPPC and the ANEC, were able to sign an agreement on 22 August 2000 regarding Hyundai's exclusive rights regarding the seven projects in North Korea, comprising electricity, communications, railways and highways, an airport in Tongchon, a dam on the Imjin River, the development of water resources on Mt. Kumgang, and the development of

tourist attractions. Hyundai stressed that the seven projects could be possible only through close cooperation with the South Korean government, since they are 'state-level projects' (Hyundai Asan 2003). The features and significance of the projects are shown in Table 6.5.

Table 6.5. Hyundai's Seven Infrastructure Projects

	Features	Significance
Electricity	Construction of thermal power plants Improvement and augmentation of existing facilities	The most urgent issue in inter-Korean economic cooperation
Communications	On- and off-line communications Data and Internet networks Research & Development of Software	Build communications infrastructure for North Korean economy
Railway	Connection of Seoul-Shinuiju, Seoul-Wonsan, Mt. Kumgang railways Repair of aging railways Linkage with Trans-China and Trans-Siberian railways Operation of railway business	Link inter-Korean railways to reduce costs for transportation Turn Korea into a transportation hub
An airport in Tongchon	Building a facility for simultaneous mooring for three A-300 airliners Accommodating 300,000 passengers a year	Speedy access to Mt. Kumgang Base camp for further travel to Mt. Paektu and Mt. Chilbo
A dam	Construction of a dam in Imjin River	Prevent chronic flooding
Water resources	Transfer of water resources from Mt. Kumgang dam to South Korea	Alleviate water shortages
Tourism	Development and operation of resorts on Mt. Paektu, Mt. Myohyang, Mt. Chilbo, and Kaesong	Promote inter-Korean human exchanges Attract foreign tourists

Source: Hyundai Asan (2003).

The agreement granted Hyundai the exclusive rights to develop North Korea's major infrastructure and core industrial facilities for a period of 30 years (*Kyunghyang Shinmun*, 15 February 2003). The scope of the projects includes the development, construction, design, maintenance and operation of those facilities and even transactions resulting from them (Hyundai Asan 2003).

Despite its agreement with North Korea in August 2000, Hyundai made no progress in the projects because of its lingering financial difficulties (*Kyunghyang Shinmun*, 15 February 2003). Hyundai only made a report to the MOU on the establishment of a provisional agreement with North Korea without requesting the government's authorization for each project as of 2003 (*Kukmin Ilbo*, 11 February 2003). Chairman Chung told reporters that the MOU declined to authorize those projects as a package since they are large-scale projects affecting the whole North Korean economy, noting it is desirable for Hyundai to apply for authorization one by one when each project took concrete shape (*Donga Ilbo*, 17 February 2003). Since the projects made no progress, an increasing number of South Korean newspapers raised questions as to whether they really existed or were a fabrication by Hyundai and the Kim government (*Hankook Ilbo*, 5 February 2003; *Kukmin Ilbo*, 11 February 2003; *Daehan Maeil*, 3 February 2003).

The Government-Level Efforts. With the seven infrastructure projects faltering because of Hyundai's financial difficulties, the Kim administration activated the existing government-level channels of dialogue to take up some of Hyundai's projects, such as the connection of railways and roads, the inauguration of maritime routes, the prevention of floods in the Imjin River and a joint survey of the Imnam Dam, called the Mt. Kumgang Dam in South Korea.⁵⁸ By the end of 2002, a total of 20 rounds of economic talks, 3 in 2000, 3 in 2001 and 14 in 2002, were held to discuss a wide range of issues, including the infrastructure projects, Hyundai's Mt. Kumgang and Kaesong industrial park projects, and the establishment of institutional frameworks for bilateral transactions and investment (MOU 2003: 109). Even though President Kim finished his term without making substantial progress in the modernization of North Korea's infrastructure, the Roh Moo-hyun administration tried to keep the momentum of inter-Korean rapprochement through a series of economic cooperation talks with North Korea.⁵⁹

⁵⁸ The dam posed grave risks to South Koreans in the event of accidental or intentional destruction.

⁵⁹ For example, the two Koreas held a ceremony marking the connection of the two severed railways on 14 June 2003, even though it would take more time to start actual train services.

3.3.4. Findings

This section provided concrete detail on the enormous costs an activist government and a private company needed to shoulder in the course of engaging an enemy state, which is impossible as long as the government and the general public continue to regard it as an enemy state. First, the Kim administration fits the criteria of this dissertation's definition of an activist government that is able to use all available means, including bribery, to engage an enemy state and eventually transform it into a partner. The payment of bribes was indispensable in view of the organizational background of Hyundai's business partner, the KAPPC, and the obsession of South Korean policymakers and Hyundai executives with reaching an early breakthrough in inter-Korean relations. Due to their identity shifts vis-à-vis North Korea, the main actors of the Kim administration and Hyundai executives could compromise morality, as well as short-term security threats resulting from North Korea's possible diversion of the remittances to military purposes for the long-term goal of the creation of an inter-Korean economic community. Despite the mounting criticism, the payment of cash was decisive as a tool to convince the North Korean leadership that the Kim government and Hyundai were serious about the engagement option. According to Unification Minister Park (Interview: 2003), the South Korean government's authorization of the remittances of US\$450 million was a catalyst that helped expedite the process of organizing the summit.⁶⁰

Second, the process of reaching a package deal on the summit and the following remittances illustrated the Kim administration's decision-making and information-processing models, identified in Chapter Three. President Kim had been heavily dependent on his two confidants, Lim Dong-won and Park Jie-won, while sidelining the MOU and other government agencies. Seoul's inner circle reached the conclusion that the transfer of cash was not a fact that should be made public and it would be difficult to win public consent at a time when the opposition GNP and the conservative media were looking for evidence to attack the administration. President Kim's Chief of Staff Park, who was Seoul's chief negotiator, repeatedly insisted that he visited Singapore on vacation.⁶¹ HMM also denied the use of 400 billion won in loans for the remittances to

⁶⁰ According to the MOU, South Korea provided North Korea with large-scale assistance amounting to US\$2,557 million during President Kim's five-year tenure, including Hyundai's US\$900 million in cash (*Yonhap New Agency*, 10 March 2003).

⁶¹ After a series of denials, Park confessed on 14 February 2003 that he could not reveal it because North Korea requested him to keep it secret. He made the statement right after President Kim apologized to the nation in connection with the illegal remittances.

North Korea, noting that the loans were used for other purposes, including shipbuilding (*Donga Ilbo*, 17 January 2003). As shown above, outright secrecy was the outcome of Hyundai's corporate practice in which business deals are kept secret, as well as the Kim administration's efforts not to damage the self-esteem of the North Korea leadership.

Third, the shared need for economic cooperation by the two Koreas, which was initially promoted by Hyundai, spawned more government-level dialogue on various levels, including ministerial-level meetings and expert-level talks. When Hyundai was unable to maintain the projects, the Kim administration took them over to ensure the continuity of inter-Korean cooperation.

Fourth, the Sunshine Policy's principle of separation of economics from politics was in fact a pretext for the maintenance of economic exchange and cooperation in the face of political and military crises. The reality, observed above, was a strong partnership between the government and Hyundai to jointly pursue inter-Korean projects against all odds.

Fifth, the key to the prevention of spill-back, one of the metaphors of integration theories, was the steady progress of economic integration by means of large-scale investment and connection of vital transportation links between the official enemies, which could increase the sunken costs and hamper their defection from cooperation.

4. The Outcome of Three-Level Engagement

This thesis's framework of three-level comprehensive engagement, tested against a number of major incidents during President Kim's five-year tenure, as detailed above, illustrates the dialectic process of identity shifts, the status quo and integration. This section will examine whether this framework, conceptualized on the basis of the Sunshine Policy, had achieved, or gone some way to achieving, its envisioned national goals of institutionalization and federalization.

4.1. Institutionalization

For President Kim, one of the most desirable developments in inter-Korean relations was a return to the spirit of the Basic Agreement, established in 1991 in a brief moment of inter-Korean rapprochement following the end of the Cold War. According to NIS director Lim (Interview: 2003),⁶² the Basic Agreement is of utmost importance because it defined the two Koreas as special partners on a long journey to reunification, rather than as enemies. In his inaugural address (Appendix VI) on 25 February 1998, President

⁶² Lim is one of the architects of the Basic Agreement since he served as vice unification minister and representative to the South-North high-level talks during the Roh Tae-woo administration.

Kim told the nation:

I hope that interaction between the South and North will expand in many fields based on the South-North Basic Agreement. First of all, I propose an exchange of special envoys to promote the implementation of the South-North Basic Agreement. I am ready to agree to a summit meeting, if North Korea wants.

However, President Kim failed to win Chairman Kim's commitment to the reactivation of the Basic Agreement, even though the two leaders, wrapping up President Kim's three-day trip to Pyongyang, created the Joint Declaration embodying many of the ideas of the Basic Agreement.

Politically, the Sunshine Policy sought to institutionalize contacts between the top leaders, ministers and lower-echelon officials of the two Koreas. President Kim elevated the prime ministerial-level dialogue between the two Koreas in the early 1990s, which gave birth to the Basic Agreement, into summit level dialogue, even though he failed to realize Chairman Kim's return visit to Seoul. To make up for the summit-level contact, the two Koreas exchanged special envoys three times during his tenure. As a regular channel of dialogue, the two Koreas held nine rounds of ministerial-level talks.

Militarily, the two Koreas held one round of defence ministers' talks, but failed to convene routine dialogue between them. Nevertheless, the military authorities of the two Koreas set up hotlines and held five rounds of working-level meetings and seven rounds of working-level contacts to remove landmines and other hurdles for civilian trips across the DMZ, a step crucial for the connection of the severed railways and roads and South Koreans' overland trips to Mt. Kumgang and the Kaesong industrial park (MOU 2003: 101-8). In 1991, the Basic Agreement called for the establishment of a joint military commission and the implementation of steps for military confidence building and arms reduction, including mutual notification regarding the relocation of military units and military exercises, exchange of military personnel and information, and the establishment of military hotlines. Therefore, the Kim administration achieved only partial success in the category of inter-Korean military affairs.

Economically, the Kim government needed to establish a series of institutional frameworks to facilitate inter-Korean trade and investment and narrow the enormous gap between the two economies, since it sought to create a 'balanced national economy', an idea first envisioned in the Basic Agreement and stressed jointly by the two leaders

during the summit.⁶³ The inter-Korean summit enabled the two Koreas to organize a total of 20 rounds of economic talks until the end of Kim's tenure to create institutional frameworks for inter-Korean transactions and economic cooperation (MOU 2003: 109).⁶⁴ The economic talks were the key venues for the discussion of the government-level assistance for Hyundai's Mt. Kumgang project and the Kaesong industrial park scheme, as well as its infrastructure projects, including railway connection and water resource management in the Imjin River. In the 1991 Basic Agreement, the two Koreas already envisioned the connection of the severed railways, roads and sea lanes, but the Kim administration's achievements in inter-Korean economic affairs far surpass these earlier endeavours.

In the past, inter-Korean relations have been analyzed from the perspectives of a zero-sum game in which an outstanding policy subscription was strict reciprocity. Due to the progress of inter-Korean institutionalization, the new dynamics of inter-Korean rapprochement put an end to what Park S.S. (2002) called the Sisyphus myth in which the two Koreas had been caught in an endlessly repeated process of scrapping previous agreements and starting anew to negotiate similar deals.

4.2. Federalization

As observed in Chapter Three, federalization could become a big milestone in the process of unification, since it provides room for the continuation of autonomous governments with vested rights and privileges during the interim stage leading up to unification. The inter-Korean summit in 2000 was an important event in this respect because the two Korean leaders had discovered convergence in their approaches towards unification (Kim K.S. 2002: 116). The Joint Declaration (Appendix IX), issued after the summit, reads:

⁶³ As mentioned above, Hyundai felt a dire need to secure the government-level guarantee on its forthcoming investment in North Korea, which has become one of the major reasons behind the company's efforts to organize an inter-Korean summit. President Kim felt the same way while preparing for a New Year press conference on 26 January 2000. Since the volume of inter-Korean trade reached US\$333 million in 1999, compared to US\$13 million in 1990, and many South Korean companies, including Hyundai and Samsung, embarked on negotiations with North Korea on investment, President Kim noted in the press conference that the South Korean government would take steps to establish an investment protection treaty (*Hankook Ilbo*, 27 January 2000).

⁶⁴ The need of four inter-Korean economic agreements on the protection of investment, avoidance of double taxation, clearances of payment and settlement of commercial disputes was first stressed by President Kim during his Berlin Declaration in March 2000, officially raised in the second ministerial meeting in August 2000 in Pyongyang, and signed in the fourth ministerial meeting in December 2000. However, the four agreements did not take effect until as late as 20 August 2003, because the opposition GNP hampered the parliamentary ratification process.

Acknowledging that there are common elements in the South's proposal for a confederation and the North's proposal for a federation of lower stage as the formulae for achieving reunification, the South and the North agreed to promote reunification in that direction.

North Korea's official unification formula of *yonbangje* or 'federation', introduced in 1980 in a significant departure from the past approaches towards unification by force or an internal revolution in South Korea, envisioned the existence of two different governments and systems under the wing of a single state. Given that a federation is normally based on the same system, for example, democracy, with the federal government holding power over defence and diplomacy, the North's proposal was similar to the establishment of a confederation rather than a federation. Therefore, North Korea used the term, the 'Democratic Confederal Republic of Koryo (DCRK)', as the official title of its unification formula when it was translated into English (*Kyunghyang Shinmun*, 16 June 2000).⁶⁵

Despite its similarities to South Korea's unification formula, based on the establishment of a confederation, Seoul could not accept Pyongyang's proposal, since it had preconditions, such as the withdrawal of US forces from South Korea, the abolition of the National Security Law and the establishment of a US-North Korea peace treaty (Oh 2003). During the summit, however, President Kim and Chairman Kim concurred on the similarities of their unification formulas without addressing the discrepancies in a show of their common pursuit of reunification. Out of the three preconditions, North Korea had virtually given up on the withdrawal of US troops, since Chairman Kim noted that Pyongyang would not oppose the presence of US troops if they changed their role and contributed to peace and stability in Korea, a position which was already made clear to the United States in early 1992 (Lim 2002)

The evolution of North Korea's unification formulas showed that, in recognition of the new realities of the post-Cold War era, the Pyongyang regime had apparently lowered its goal, thus envisioning unification on an equal footing with South Korea and setting federalization as an ultimate goal of reunification, rather than as a transitional step on the path to unification (Koh 2002). Under the new formula, the Pyongyang regime was ready to accept the idea of a lower-stage federation in which the two governments on the peninsula could retain their established jurisdictions and functions,

⁶⁵ According to the *KCNA* (10 October 1999), 'For over half a century different social systems have existed and different ideas have prevailed in the north and the south of Korea. Neither side gives up its own ideology and system. In these circumstances the best way of national reunification is to found a unified state of confederal formula based on one nation, one state, two systems and two governments'.

including politics, military affairs and diplomacy, in their long-term pursuit of national reunification (*Rodong Sinmun*, 9 October 2000).⁶⁶

Through this evolution in its approach, North Korea's unification formula became almost identical to South Korea's three-stage formula, called the 'National Community Unification Formula', whose second stage was the creation of a confederation following the first stage of reconciliation and cooperation (MOU 2003). According to the South Korean formula, the confederation is to be run by inter-Korean summits, Cabinet meetings, councils, and a joint secretariat at a transitional stage (*ibid*).

Despite the declared start of unification debates through the summit declaration, however, the two Koreas failed to take further steps to realize their envisioned goal. Therefore, the two leaders' shared view regarding the similarities of their unification formulas still remained in the realm of ideas. Even though the agreement touched off a heated debate in South Korea regarding the pros and cons of the new approach right after the summit, the Seoul government could not create a breakthrough in nurturing the idea into actual measures, since the follow-up inter-Korean talks on various levels were confined to dealing with practical issues rather than taking up the grand idea of unification. In a sense, this impasse in the inter-Korean unification discourse testifies to the two governments' desire to maintain the political status quo on the Korean Peninsula, which is one of the central propositions of this dissertation.

5. Conclusion

This case study demonstrates that a wide array of inter-Korean cooperation projects, which are evidence of South Koreans' identity shifts and the fledgling integration of the two official enemies, stemmed from the harmony of the Kim government's top-down initiatives and Hyundai's bottom-up approaches. This argument could be aptly used to answer the two questions regarding the inseparability of Hyundai's Mt. Kumgang project and the Sunshine Policy, raised in this chapter's introductory section.

The inter-Korean summit, the child of Hyundai's midwifery, was not the end of the Korean nation's history of division and conflicts. The inauguration of the Bush

⁶⁶ North Korea's official unification formula was first proposed by the late North Korean leader Kim Il-sung in his report to the 6th Congress of the Workers' Party on 10 October 1980. Since then, North Korea has revised its unification formula to catch up with the changing international and inter-Korean realities. In a speech marking the 35th anniversary of North Korea's founding in September 1983, the North Korean leader contended that, in a process of unification, North and South Korea 'appoint co-presidents of the supreme national federal assembly and co-chairmen of the federal standing committee, with each side taking the helms of the two federal organs on a rotating basis' (Koh 2002: 52). In 1991, President Kim further watered down his proposal and came up with a loose form of federation by considering conferring more power to regional governments over national defence, foreign affairs and legislation (Moon 2002: 37).

administration substantially hampered the consolidation of nationhood between the two Koreas. Nevertheless, the secret of the Sunshine Policy lies in its ideational and conceptual framework with a clear roadmap in engaging an enemy state. The Mt. Kumgang project, pushed jointly by Hyundai and the South Korean government that stressed national interests over narrow state interests, survived all challenges and proceeded through tumultuous political and economic developments on the Korean Peninsula even after President Kim's five-year tenure and Hyundai Chairman Chung's suicide.⁶⁷ New South Korean President Roh told KNTA President Cho Hong-kyu during an annual report by the Ministry of Culture and Tourism that the state-run tourism agency should play a more active role than before as Hyundai's business partner (*Yonhap News Agency*, 9 April 2003).

As observed above, Hyundai's Mt. Kumgang project ushered in a new era of inter-Korean rapprochement, opening the way for half a million South Koreans to visit North Korea; alleviating inter-Korean tension; assisting the South Korean government in organizing a summit; and offering a fertile ground for identity shifts through increased human interactions. President Kim and Hyundai found convergence in their interests in pursuing various projects together to induce North Korea to abandon its seclusion and join the international community. In particular, the inter-Korean summit virtually turned the two Koreas into masters of their own fate, which had been manipulated by outside powers for several decades (Barry 2000; Snyder 2000).

⁶⁷ On 4 August 2003, Chairman Chung leapt to his death from his office building in central Seoul in a suicide, caused apparently by the prolonged investigations by prosecutors on the cash-for-summit scandal and Hyundai's financial difficulties. The fifth of founder Chung's eight sons, Mong-hun rose to the conglomerate's chairmanship in an unconventional move in South Korea's Confucian society in which the eldest son takes over the family business. North Korea said in a statement, carried by the *KCNA* (5 August 2003), 'Chung Mong-hun's death was not a suicide in a true sense of the word, but a murder by South Korea's independent counsel and main opposition GNP which oppose inter-Korean rapprochement'. North Korea also announced that it would temporarily suspend the Mt. Kumgang tour programme to show condolences. When Hyundai founder Chung died on 21 March 2001 at the age of 86, North Korea sent a mourning delegation, headed by KAPPC Vice Chairman Song, to Seoul and set up an altar in Pyongyang and Mt. Kumgang.

Chapter Seven. Case Study III: North Korea's Nuclear Weapons Programmes

1. Introduction

The aim of this chapter is to provide an analytical account of the Kim Dae-jung administration's strategies of engagement employed in the course of addressing North Korea's nuclear weapons programmes, which had arguably posed one of the most serious security challenges to South Korea, the United States and other neighbouring states since the end of the Cold War. Located in the heart of Northeast Asia with a strong penchant for self-reliance, even in the field of national security, North Korea has long attempted to acquire its own nuclear deterrence. Since North Korea's clandestine projects and the outside world's endemic suspicions of North Korea's intentions intersected, especially after the Cold War, the Korean Peninsula has been in a vicious cycle of crisis, tentative settlement and then a new crisis. In view of the magnitude of the problem, as well as its potential implications for regional and global security, South Korea and the United States endeavoured to address this issue independently or jointly with other states that had a stake in the stability of the Korean Peninsula.

In some ways, the North Korean nuclear issue, coupled with its ballistic missile programmes, served the sectarian interests of the hard-line forces in the United States and Japan that had taken advantage of it as a rationale for the reinforcement of their own military capability, i.e. missile defence. For the United States, North Korea's nuclear ambitions have been one of the greatest challenges to its global strategies of nuclear non-proliferation, while, for Japan, they became the prime motivation for the government's increased military role in regional security. Nevertheless, both the Clinton and Bush administrations exercised restraint and fell short of launching a pre-emptive strike against the North in consideration of various factors, such as its geographic location in the centre of Asia's economic growth area, the objection of the countries concerned, and the Track II process, as demonstrated by former US President Jimmy Carter's trip to Pyongyang to defuse the nuclear crisis in 1994. Although the remaining options were containment, benign neglect or engagement, US administrations have oscillated between the two poles of containment and engagement.

For North Korea, its nuclear weapons programmes served as prime means to attract attention from the international community, primarily from the United States, and as a potential source of cash in case it could successfully trade them off with

compensation mainly from South Korea, the United States and Japan, let alone their roles as a crucial means of deterrence against attacks by the powerful states around it.¹ For South Korea, North Korea's nuclear weapons programmes were a prime national security issue that required highly strategic calculations. Nevertheless, it was not an issue requiring a preventive strike, which might cause an all-out war. For South Koreans, who live under the US nuclear umbrella, it was just another potential threat, since they essentially ruled out the possibility that the North Koreans might use nuclear weapons against their Southern compatriots. In a sense, they were complacent about the threats posed by nuclear weapons, since the conventional weapons North Korea had amassed in the DMZ were already powerful enough to destroy the capital city of Seoul. Therefore, the worst-case scenario for South Korea was not a North Korean nuclear attack, but the US attack on North Korea, which could turn the whole peninsula into a battlefield.² Even though the post-Cold War South Korean governments endeavoured to coax North Korea to give up its nuclear ambitions, they also oscillated in a similar manner to their US counterparts in coping with the regime showing both strength with nuclear and missile programmes and weakness with humanitarian appeals to feed its starving people (Reiss 2000).

For the Kim administration, the North Korean nuclear issue was the prime obstacle to its policies of engagement in view of its recurrence and magnitude. Nevertheless, the Kim government, championing the Sunshine Policy, clearly dismissed the use of any coercive measures and demonstrated its strong adherence to an engagement option. In comparison with the 1994 nuclear crisis, the Sunshine Policy created an obviously different dynamics in terms of diplomacy and policy options for the countries concerned in addressing the so-called 'second nuclear crisis',³ prompted

¹ In this line of thought, see Sigal (1998; 2000; 2002), Wit (2003) and Harrison (1997).

² President-elect Roh Moo-hyun represented this line of thought when he stated on 30 December 2002 during a visit to the Kyeryongdae military headquarters near Taejon: 'I always had one question in mind. The most worrying scenario is that when the United States launched an attack on North Korea, though a limited one, how would North Korea react to it? In this situation, many think North Korea might launch a retaliatory attack against South Korea. When attacked, how could our military avoid a counterattack? I think it is an impossible thing' (*Kukmin Ilbo*, 31 December 2002). In fact, the United States planned to launch a strike on the Yongbyon nuclear complex in June 1994. According to an article by then Secretary of Defence William Perry (*Washington Post*, 20 October 2002), 'Consequently, we readied a detailed plan to attack the Yongbyon facility with precision-guided bombs... But a strike on Yongbyon, while surgical in and of itself, would hardly be surgical in its overall effect. The likely result of such a strike would be a spasmodic lashing out by North Korea's antiquated, but large and fanatical, military across the DMZ separating North Korea from South Korea, our ally'.

³ As illustrated in Chapter Three, the Kim administration endeavoured to contain the looming crisis in order to prevent it from passing the crisis threshold. Therefore, this dissertation does not describe the HEU-related dispute as a crisis, even though the literature calls it a 'crisis' (Liu 2003; Sokolski 2003; Wit 2003).

by North Korea's admission of a secret nuclear weapons programme in October 2002.⁴

This chapter will elucidate how the Kim administration implemented its strategies of comprehensive engagement with the North in order to prevent a crisis and maintain inter-Korean rapprochement and, in particular, what kinds of ideational and normative factors were behind those strategies of engagement. As mentioned in Chapter Three, the historical positioning of the Kim government on the enmity-fraternity continuum and its policy based on ideational shifts and reconfigured state interests guided Seoul's strategists to adopt policy options starkly different from those of the previous governments in handling the same national security issue. This chapter will first examine North Korea's decades-long nuclear ambitions and then apply the theoretical framework of this dissertation, the three levels of comprehensive engagement, to analyze the Kim government's policies regarding identity shifts, the status quo and integration in dealing with North Korea's nuclear challenges.

2. North Korea's Nuclear Ambitions: historical overview

It is not easy to break into the black box of North Korea's policy-making process, since the secretive state pursues politics of isolation and self-reliance. When North Korea admitted to the existence of a nuclear weapons programme in October 2002, it raised more questions about its intentions than alleviating the international community's suspicions surrounding the nuclear programmes. What motivated it to acknowledge its clandestine operation of a nuclear programme? Stated differently, what does it really want from the international community? Does it want to declare it is now a nuclear power? Or does it want to trade the nuclear programme off with some rewards? In an effort to offer a clue to this puzzle, this chapter will start with an historical overview of the nuclear weapons-related ambitions of the two Koreas, the 1998 dispute over the Kumchang-ri underground tunnel and the 2002 shock over the HEU programme.

2.1. Nuclear Rivalry

Historically, the two Koreas had both opted to follow a path of secrecy in launching

⁴ When US Assistant Secretary of State James Kelly raised much of the suspicion over North Korea's HEU programme, North Korean First Vice Foreign Minister Kang Sok-ju did not admit to the existence of the HEU programme in an outright manner, but said, 'North Korea is entitled to develop any type of weapons to counter threats from the United States' (Yoon 2003). Selig Harrison, who visited North Korea to meet high-level officials in 2004, confirmed this by noting that what Vice Foreign Minister Kang told Kelly was: 'We are entitled to have even more than that... Besides, the United States and North Korea are still enemies; we are still belligerents. There's never been a peace treaty ending the Korean War, so we're not obliged to clarify that for you.' (http://www.nytimes.com/cfr/international/slot2_051104.html, accessed 12 May 2004). Therefore, the presence of a HEU programme has been shrouded in mystery since then, with the US intelligence community failing to locate the exact site for the HEU programme.

nuclear weapons programmes, when their leaderships determined that national security was on the verge of being compromised amid the twists and turns of superpower politics or the possession of nuclear weapons could bring about prestige or added security to their states.

South Korea's Nuclear Ambitions. In the 1970s, South Korean President Park Chung-hee set up two organizations, the Agency for Defence Development (ADD) under the wing of the MND and the clandestine Weapons Exploitation Committee under the direct supervision of his office, to launch research on the development of nuclear weapons and missiles (Kim H.J. 2003; Kim and Cho 2003; Park T.W. 1998). In an interview with *The Washington Post* (25 June 1975), President Park even revealed his intention to develop nuclear arms in case the United States withdrew its nuclear umbrella. Park translated his vision into action after the Nixon administration sought to pull out one third of US troops from the peninsula and reduce economic support vital for South Korea's post-war reconstruction (Kim H.J. 2003). The US plans were part of the Nixon Doctrine (Guam Doctrine) of 1969 in which the United States called on its allies to take up the primary burden of their own defence while it would play a supportive role. Given South Korea's asymmetrical security dependency on the United States during the Cold War, any US indication of reduction or total withdrawal of its troops was immediately translated as a grave risk to national security, which also dealt a blow to the legitimacy of any South Korean administration in the arena of domestic politics (Park S.W. 2003: 88). Embarking on his own nuclear weapons programme, President Park sought to procure a reprocessing plant for spent nuclear fuel from France and signed the Agreement for Technical Cooperation in Atomic Energy with it in 1974. To allay US concerns, South Korea joined the NPT in 1975. Nevertheless, the US government, afraid of the potential for nuclear proliferation in East Asia, effectively thwarted the plan in 1976, promising to provide loans to enable South Korea to build a nuclear power plant.⁵ This 1976 US-South Korea deal is reminiscent of the 1994 Agreed Framework under which the United States pledged to provide two LWRs to North Korea in exchange for its dismantling of graphite-moderated reactors. When President Jimmy Carter revealed his plan to withdraw US troops from South Korea in 1977, President Park revived his ambition, further straining South Korea's relations with the United States. Park's ambition ended with his assassination by one of his close aids,

⁵ According to declassified US State Department documents, Secretary of State Henry Kissinger sent a cable to US Ambassador to Seoul Richard Sneider to instruct him to press the Park administration to give up the nuclear weapons programme, which would enable it to possess nuclear weapons within ten years (*Donga Ilbo*, 28 September 1998; *Hankyoreh*, 28 September 1998).

Park Jae-kyu, director of the Korean Central Intelligence Agency. His successor, Chun Doo-hwan, also contemplated the possibility of acquiring fissile materials, when Canada offered to recycle spent fuel from an LWR in South Korea into mixed oxide fuel, which contains weapons-grade plutonium, but again the United States intervened to halt the plan (Park T.W. 1998).

When the two Koreas entered into a brief period of rapprochement with the end of the Cold War, the Roh Tae-woo administration eventually made a commitment to forego nuclear reprocessing under US pressure in spite of objections by some internal forces, which attempted to keep open the option of a future reprocessing plant (Oberdorfer 2001: 263-4). This South Korean commitment and North Korea's reciprocal step led to an inter-Korean agreement on the denuclearization of the Korean Peninsula in December 1991.

North Korea's Nuclear Ambitions. As an equally independent and ostensibly proud state, North Korea also has a long history of nuclear ambitions.⁶ The Soviet Union had been North Korea's main cooperation partner since 1952 when the two signed an agreement on the training of nuclear specialists for the 'peaceful use of nuclear energy' (Zhebin 2000: 28-9). In 1956, North Korea became an original member of the United Institute for Nuclear Research established in Dubna, near Moscow, as the centre for science and research for socialist countries (ibid). To outsiders familiar only with the recent history of its nuclear ambitions, North Korea nicely fits into the category of 'renegade states' seeking to arm themselves with nuclear weapons, posing a serious challenge to the global non-proliferation regime. From the outset, however, North Korea was rather forced to pay attention to nuclear weapons as a means of deterrence after the United States deployed tactical nuclear weapons in South Korea in 1957 (Kim and Cho 2003: 116).⁷ While using its propaganda machine to demand that the United States withdraw nuclear weapons from the peninsula, North Korea embarked on its own nuclear programmes by signing a nuclear cooperation treaty with the Soviet Union in 1959. The treaty opened the way for Moscow's technical assistance for the establishment of a nuclear research centre in North Korea and the training of North Korean specialists (Kaurov 2000: 15-6). In 1961, North Korea started the construction

⁶ There is an excellent compilation of North Korea's nuclear chronology by the Center for Nonproliferation Studies at the Monterey Institute of International Studies. It is available at http://www.nti.org/e_research/dprk_pdf/npre1990.pdf (accessed 17 October 2003). Also see *Vintage Point* 25 (11): 15-7.

⁷ Regardless of the actual deployment of US nuclear weapons in South Korea, North Korea has faced the US nuclear threat for the past half century since the Truman administration considered using nuclear weapons against North Korea during the Korean War (McCormack 2004).

of a nuclear research complex in Yongbyon. After procuring an IRT-2000 research reactor from the Soviet Union in 1962, it completed the construction of a nuclear complex in Yongbyon in 1964. North Korea joined the International Atomic Energy Agency (IAEA) in 1974 and signed a trilateral safeguards agreement with the IAEA and the Soviet Union in 1977, thereby agreeing to accept international inspections. Even though North Korea was not a party to the NPT, the reactor was put under IAEA surveillance following pressure from the Soviet Union.

There is a lingering dispute over when North Korea started nuclear research for military purposes. Denisov (2000: 22) argues that North Korean leader Kim Il-sung made a decision to develop nuclear weapons and significantly expanded the network of research institutes in the 1970s when he realized that North Korea had lost in the economic competition with South Korea and suspected that the Soviet Union and China would betray it in the near future. In 1980, North Korea started building a five-megawatt research reactor in Yongbyon, which became the focal point of the 1994 nuclear crisis. When North Korea was confirmed to be constructing a large-scale nuclear complex in Yongbyon in the mid-1980s, the United States requested the Soviet Union to press North Korea to join the NPT (Dembinski 1995). As an inducement, the Soviet Union promised to supply four LWRs (Oberdorfer 2001: 254). Although North Korea joined the NPT in 1985, it did not take the due step of signing a mandatory safeguards agreement with the IAEA, despite the treaty's provision that it should sign the agreement within 18 months of accession to the agency. North Korea's nuclear programmes drew international attention when a picture of the Yongbyon nuclear site, taken by a French commercial satellite, was revealed to the public. This made the international community step up efforts to press North Korea to drop its nuclear programmes by using both carrots and sticks (Kim T.H. 2002). To induce North Korea to forego its nuclear programmes, the United States and South Korea suspended the annual Team Spirit military exercise and withdrew US tactical nuclear weapons from South Korea (Oberdorfer 2001).

North Korea signed the safeguards agreement with the IAEA on 30 January 1992 and submitted a report on its nuclear activities at 14 nuclear facilities on 4 May. This decision reflected a shift in North Korea's goals: from reunification on North Korean terms to regime preservation (Levin 1993). Subsequently, the IAEA detected discrepancies in the North's inventory report through its six inspections from May 1992 to February 1993 (Kang J.M. 2002). The IAEA took an unusually hard-line stance by calling for a special inspection of two undeclared sites which the agency suspected of housing nuclear waste, a proposal rebuffed by North Korea as an attempt to damage its

dignity and sovereignty (Oberdorfer 2001). In particular, North Korea dismissed those actions on the grounds that the two facilities were military installations. Originally, the CIA withheld photographic evidence on these facilities, fearing US intelligence-gathering ability would be exposed, but North Korea's refusal to cooperate with the IAEA made it reveal a set of satellite photos to the IAEA on 22 February 1993 (Cotton 1993). On 26 February, IAEA Director General Hans Blix sent a letter to the North Korean Foreign Ministry requesting that the international nuclear watchdog be allowed to inspect the two sites in Yongbyon.

2.2. The First Nuclear Crisis

With international pressures mounting, North Korea announced its intention to pull out of the NPT on 12 March 1993. While working diplomatically to pass a UN Security Council resolution on 11 May, the United States sought to address the looming crisis by means of dialogue and organized the first and second rounds of high-level talks with North Korea in June and July of that year. It succeeded in reaching a tentative agreement with North Korea in December 1993 under which North Korea would undergo IAEA inspections and the United States would call off joint Team Spirit military exercises and hold the third round of high-level talks (Sigal 2000a). Nevertheless, the Kim Young-sam government opposed any US-North Korea dialogue and the suspension of the joint military drill until the two Koreas exchanged special envoys (ibid: 71-2). The United States and South Korea announced in March 1994 that they would introduce Patriot anti-ballistic missiles and resume the Team Spirit exercises (Kim T.H. 2002). As North Korea responded to these steps by starting a process of replacing spent fuel rods without IAEA supervision in May, the UN Security Council denounced North Korea in a chairman's statement on 30 May, while the IAEA issued a resolution on sanctions against North Korea on 16 June. The South Korean government also encouraged its citizens to acquire gas masks in preparation for any contingency, an action that prompted them to stockpile emergency food supplies.

At the height of the nuclear crisis in 1994, when North Korea was trying to reprocess its spent fuel rods into weapons-grade plutonium, President Clinton mulled bombing the Yongbyon nuclear complex. By that time, the CIA believed that North Korea had already separated enough plutonium to produce one or two nuclear weapons. Clinton responded to the threat by reinforcing US troops on the Korean Peninsula and moved ahead with a plan to launch a surgical strike against the nuclear site at Yongbyon. Diplomatically, the United States took steps to adopt a resolution in the UN Security Council calling for graduated sanctions, an act regarded by North Korea as a declaration

of war (Sigal 2000a: 80). Robert Gallucci, President Clinton's chief negotiator with North Korea, recalled: 'There was every indication at that time that President Clinton would have used force rather than allow the North Koreans to separate more plutonium to produce nuclear weapons' (*New York Times*, 23 December 2002).

Amid escalating tensions, former President Carter visited North Korea for a meeting with North Korean leader Kim Il-sung in June and brokered his summit with South Korean President Kim Young-sam. Even though an inter-Korean summit was foiled because of the North Korean leader's sudden death in July, the United States and North Korea could resume dialogue to create a nuclear deal in October. The AF committed the United States and its allies to supply two LWRs and 500,000 tons of heavy fuel oil (HFO) each year to North Korea in return for a freeze on its graphite-moderated reactor programmes, which yield weapons-grade plutonium.⁸ Some analysts believe that the 'carrot' side of the 1994 agreement, including US pledges to normalize relations with North Korea and build LWRs, was effective in defusing the crisis (Sigal 1998), while others noted that the 'stick' side of the agreement, including threats of war and sanctions, were conducive to the peaceful resolution of the crisis (Rosegrant and Watkins 1995). To the Clinton administration, the 1994 deal symbolized its strategic vision of deterring nuclear threats by engaging a hostile regime, one of its strategies of 'enlargement' (Kihl 1998: 31). It also reflected the US belief that, given North Korea's inexorable economic decline, the Pyongyang regime might open up or collapse rather than muddle through indefinitely (Paik J.H. 1999: 45). Nevertheless, Kim Sung-hyoung (2003) picked this agreement as an example in which North Korea had prevailed over the United States in bilateral negotiations in contrast to the conventional belief that a stronger party could exercise more leverage over a weaker party.

The AF effectively stopped nuclear programmes that might otherwise have resulted in the construction of 50-megawatt and 200-megawatt reactors with the potential to produce a large amount of plutonium. However, the AF was not a formal treaty or a binding agreement, but a set of guidelines designed to regulate the behaviour of both parties and suggest a way forward (Hayes *et al.* 2002). In March 1995, an international consortium, dubbed the KEDO, was set up to take charge of the provision of two LWRs and HFO after the United States, South Korea and Japan reached a

⁸ The United States promised to provide LWRs, since they do not yield weapons-grade plutonium as by-products. HFO was also chosen since the North Korean military cannot use it. However, the increase of HFO prices in the international market, which doubled the financial burden of the KEDO, especially for the United States, into US\$95 million a year, emerged as a serious obstacle to the KEDO project (Hayes *et al.* 2002: 11).

burden-sharing agreement as its founding members.⁹ The consortium and North Korea subsequently signed a supply agreement in December. From 1996 to 1998, the IAEA supervised the canning of 8,000 spent fuel rods from which weapons-grade plutonium could have been extracted. Construction work at the reactor site in Sinpo, North Korea, started in August 1997 with an official groundbreaking ceremony participated in by dignitaries from North Korea and member states of the KEDO.

Despite the international community's lingering suspicion over North Korea's clandestine nuclear programmes, the AF survived all challenges through 2002, ranging from the region's tumultuous security environment to the domestic opposition of the three founding members, and made substantial contribution to peace building (Reiss 2002: 42). Because of the contribution of the project as a stabilizing factor in the region, experts called for the need to revise and update the AF to serve the changed need of North Korea and the Bush administration (Hayes *et al.* 2002: 10).

With the year 2003 drawing near, the fact that the KEDO project was several years behind the target date of 2003 had become a potential time bomb since the consortium was unable to complete the construction by that time, even though it was just a target date without legal obligations (Kang J.M. 2002: 30). North Korea, complaining of the delay in construction work, balked at the IAEA request that it come into full compliance with its safeguards obligations (Reiss 2002: 49).¹⁰ Therefore, North Korea's admission to the existence of a second nuclear programme in October 2002 and its withdrawal from the NPT in January 2003 could be interpreted as a strategic decision to avoid its obligations regarding IAEA inspections. *The Economist* (26 October 2002) analyzed this action as North Korea's desire to strike a new deal with the US government to replace the AF as part of its strategy to engage the United States rather than confront it. Regardless of what was behind its 'confession diplomacy', North Korea appeared unprepared to accept IAEA inspections and give up its nuclear card, with the United States showing little interest in fulfilling its obligations under the AF,

⁹ Of the total cost of the LWR construction estimated at US\$4.6 billion, South Korea agreed to shoulder 70 per cent, while Japan pledged to offer US\$1 billion, or 22 per cent (Office of Planning for LWR Project 2001; Litwak 2000: 219; Choi 2001: 105). As the chair of the consortium, the United States was set to play a central role in the annual provision of 500,000 tons of HFO while making efforts to fill the 8-per cent shortfall in the costs of burden sharing. The EU joined the KEDO in 1997, while the total number of KEDO members reached 13 in 2002 (Reiss 2002: 44).

¹⁰ According to IAEA director Mohamed ElBaradei, North Korea needed to accept IAEA inspections in order to guarantee the smooth progress of LWR construction, since it takes three to four years to verify its past nuclear activities. The AF stipulates, 'When a significant portion of the LWR project is completed, but before delivery of key nuclear components, the DPRK will come into full compliance with its safeguards agreement with the IAEA (INFCIRC/403), including taking all steps that may be deemed necessary by the IAEA, following consultations with the Agency with regard to verifying the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK'.

which called for the completion of the LWRs by 2003 and the establishment of full diplomatic ties between the two countries.

This overview suggests a similar pattern in North Korea's decision-making process. Whenever it was pressed hard to guarantee the transparency of its nuclear programmes, specifically its past nuclear activities, in a verifiable manner, North Korea chose to confront the international community by withdrawing from the NPT, as seen in 1993 and 2003.

2.3. Kumchang-ri Underground Site

From January 1998, the US media began reporting on the intelligence community's discovery of an underground facility in North Korea, suspected of housing a nuclear reactor or a reprocessing facility, as evidence that the state had operated clandestine nuclear programmes in violation of the AF. The sporadic reports became headline news when *The New York Times* (17 August 1998), citing US intelligence sources, claimed that 15,000 North Korean workers were constructing an underground nuclear facility in Kumchang-ri, 25 km away from the North's nuclear complex in Yongbyon. In reaction to the discovery of the underground facilities, the US Congress passed the Omnibus Appropriations Bill in October 1998 to place stiff conditions on the US funding for the shipment of 500,000 tons of heavy oil to North Korea. The bill stressed two points: 'First, Pyongyang must clear suspicions over suspected nuclear-weapons facilities at Kumchang-ri, near Yongbyon before May 1999. Second, before the end of 1998, a North Korea Policy Coordinator will be appointed to comprehensively review US policy on North Korea and to lead US-North Korea negotiations on the North's nuclear weapons and missile program and other fundamental issues relating to the security of the Korean Peninsula' (Paik J.H. 1999: 41). Nevertheless, North Korea, dismissing the reports as groundless, alleged that the facilities were purely civilian ones. South Korean officials also questioned the reliability of US intelligence reports.

The discovery of the suspected underground facilities and North Korea's test of a multi-stage rocket touched off speculation in the United States that North Korea, having frozen its existing nuclear programmes in return for two LWRs, had covertly pursued a second nuclear programme (ibid: 47). As the critics of the AF called on the Clinton administration to take a tougher line against North Korea, the president appointed former defence secretary William Perry as US Policy Coordinator for North Korea in November 1998 as part of his efforts to allay criticism of his policy on North Korea and maintain the AF, regarded as one of his foreign policy achievements.

Following lengthy negotiations in New York, North Korea allowed the United

States to inspect the facilities in return for Washington's steps to improve political and economic relations with Pyongyang, including the lifting of economic sanctions and food aid. On 20-24 May 1999, a team of 14 US experts investigated the underground tunnel and found no evidence of nuclear-related activities at the site, except for an empty tunnel. *KCNA* (9 June 1999) reported: 'As a result [of the inspection], it was clearly proved once again that we have been sincerely implementing the Geneva agreed framework'. Despite the settlement of the controversy surrounding the Kumchang-ri tunnel, the United States remained suspicious that North Korea might have been storing nuclear materials in other clandestine underground facilities (Suh J.S. 2002).¹¹

The disputes over North Korea's missile test and the discovery of the Kumchang-ri tunnel were serious challenges to the Sunshine Policy, as North Korea was seen to be pursuing 'militarism', rather than a market economy (Kwon 2000: 98). The Bush administration, disdainful of the 1994 AF, embarked on a policy towards North Korea sharply critical of his predecessor's policies. While halting the process of engaging North Korea, the new Republican administration started a lengthy review, which was interpreted in Seoul as a 'slap in the face' for President Kim, who had championed the engagement option. In fact, the policy review reflected the wide division and infighting between the competing branches of the Bush administration on how to deal with North Korea. While the Department of State, led by Colin Powell, sought to engage North Korea by means of dialogue, a more powerful group of hawks in Washington called for coercive actions against Pyongyang (Saunders 2003).

2.4. Highly Enriched Uranium Programme

If North Korea had wanted to develop nuclear weapons, it would have possessed a more viable option than using plutonium, produced through the reprocessing of spent fuel rods. North Korea has an estimated 26 million tons of natural uranium deposits, of which four million tons can be economically extracted (Denisov 2000: 22; Andrianov 2000: 48).¹² Therefore, the key to North Korea's HEU programme was whether it possessed the facilities, such as gas centrifuges, needed to enrich natural uranium.

In early 2002, the Bush administration worked out a negotiating strategy, called the 'bold approach' whose long-term goal was the political and economic

¹¹ North Korea is believed to have about 20,000 underground tunnels (Park T.W. 1998).

¹² Since the birth of North Korea, the Communist powers, such as the Soviet Union and China, had expressed interest in North Korea's uranium deposits and launched joint surveys to locate commercially viable ores. North Korea began the operation of a uranium milling facility in Pakchon, North Pyongan Province, in 1982 and completed another uranium refinement facility in Pyongsan, North Hwanghae Province in 1984.

transformation of North Korea. Under that approach, the administration sought a comprehensive approach by calling on North Korea to suspend all WMD programmes, stop human rights violations and begin withdrawing conventional forces deployed near the DMZ. In return, it was prepared to offer economic incentives and diplomatic recognition. In fact, the Bush administration's North Korea policy was 'evolving' from hard-line policies to something similar to the Perry initiative despite its designation of North Korea as part of the 'axis of evil'. The evolution of the US approaches to North Korea touched off speculation that a US special envoy might soon visit North Korea to discuss a wide range of pending issues between the two countries. To help break the deadlock in US-North Korea relations, President Kim dispatched his special advisor Lim Dong-won to Pyongyang as a presidential envoy in April 2002 and secured an assurance from North Korean leader Kim that he would accept a US special envoy (MOU 2003). However, the exchange of fire between the naval vessels of the two Koreas in June prompted the Bush administration to postpone the dispatch of an envoy indefinitely.

When President Bush finally decided to send Assistant Secretary of State for East Asian and Pacific Affairs James Kelly to Pyongyang 3-5 October 2002 as a special envoy, North Korea was prepared to negotiate a package deal to end its strained relations with the United States, as it already did in May 2000 when President Clinton sent Perry as his envoy to Pyongyang (*Yonhap News Agency*, 17 October 2002). In contrast to North Korea's expectations, Kelly raised US suspicion surrounding North Korea's HEU programme and, to his astonishment, North Korea acknowledged the existence of a clandestine nuclear weapons programme.¹³ After lengthy internal

¹³ There has been a controversy regarding how Kelly delivered the US positions to North Korea. Even though the United States denied any issuance of threats during Kelly's trip, North Korea claimed that Kelly made 'threatening remarks' (*AP*, 16 October 2002). Mansourov (2002) contends that what Kelly told Deputy Foreign Minister Kim Gye-gwan on 3 October 2002 was a virtual ultimatum for military action unless North Korea rectified its behaviour in contravention of international norms. Kelly demanded that 'the North dramatically alter its behaviour across a range of issues, including its WMD programs, development and export of ballistic missiles, threats to its neighbours, support for terrorism, and the deplorable treatment of the North Korean people' (*ibid*). However, Deputy Foreign Minister Kim consistently denied the existence of the HEU programme. The next day, however, First Vice Foreign Minister Kang Sok-ju admitted to its existence when confronted with specific evidence of North Korea's breach of the AF, such as North Korea's procurement of core equipment for gas centrifuges (*USA Today*, 17 October 2002). *Asahi Shimbun* (18 October 2002) noted that Kelly brandished documents on the purchase and shipment of the equipment, obtained by the CIA, which proved North Korea's import of such equipment. *The Washington Post* (18 October 2002) and *The Guardian* (29 December 2002) reported that Kelly referred to high-grade aluminium tubes, which are light and exceptionally strong materials used for building gas centrifuges. However, Kang, noting that the regime had not yet operated uranium enrichment facilities, said it wished to sign a non-aggression pact with the United States and key issues should be settled at a summit meeting between North Korean leader Kim and President Bush (*Asahi Shimbun*, 18 October 2002; *New York Times*, 28 December 2002). Meanwhile, South Korean and

deliberations after Kelly's visit, the United States officially made public North Korea's revelation on 16 October, which sent shockwaves around the world. The revelation meant North Korea had been pursuing an alternative nuclear programme as a hedge against the possible collapse of the AF (Laney and Shaplen 2003).

Issuing a joint statement on 9 November 2002 after a TCOG meeting, South Korea, Japan and the United States called on North Korea to dismantle its nuclear weapons programme in a 'prompt and verifiable manner' (*New York Times*, 9 November 2002). In the face of no response from North Korea, the KEDO announced on 14 November that it would suspend HFO shipments to North Korea beginning December, an action which could fundamentally affect the fate of the AF. In a response to the suspension of heavy oil shipments, North Korea said on 12 December that it would reactivate all nuclear projects that it had suspended in compliance with the AF. The IAEA received a letter from Ri Je-son, director general of North Korea's Department of Atomic Energy, demanding that the seals and monitoring cameras at the Yongbyon nuclear complex be removed immediately. South Korea convened an NSC standing committee meeting, but reaffirmed the position that the issue should be resolved in a peaceful manner, although Seoul cannot accept Pyongyang's possession of nuclear weapons (*Yonhap New Agency*, 12 December 2002).

On 22 December, North Korea announced it had begun removing UN monitoring equipment from a nuclear reactor by disabling cameras and breaking the seals around a pool holding 8,000 spent fuel rods, an action that Bush administration officials feared could produce enough plutonium to manufacture five or six nuclear weapons within months. North Korea's action came two days after South Koreans elected a new president who had campaigned against using coercive measures in dealing with the North, including economic sanctions. North Korean leader Kim was clearly encouraged both by Roh Moo-hyun's election and by the anti-US demonstrations that preceded it in South Korea (*Guardian*, 30 December 2002). North Korea's move was immediately condemned by the IAEA, which acknowledged that, without the surveillance equipment, it could not guarantee that plutonium had not been diverted for military purposes. On 27 December, North Korea announced it would expel UN nuclear inspectors monitoring its nuclear reactor in a move that would escalate the two-month

US officials dismissed the reports regarding Kelly's threats as far-fetched. Deputy Foreign Affairs-Trade Minister Lee Tae-shik (Interview: 2003) said that Kelly talked about future US actions to improve bilateral relations, but added that his administration could not take these approaches unless North Korea cleared up suspicions on the HEU programme. In a key-note speech to an international conference in Seoul, former US State Department official Jack Pritchard also denied the reports that Kelly had brandished specific evidence on the North's HEU programme, even though he refused to reveal the exact language Kelly used (*Yonhap News Agency*, 20 November 2003).

showdown with the international community. Former US Assistant Secretary of State Robert Einhorn said: 'I think the Bush administration's tough rhetoric and tough policies toward North Korea have unnerved the North Koreans and perhaps led them to conclude that the only way for them to ensure security is to confront the world with a *fait accompli* by rapidly acquiring a substantial nuclear arsenal' (*New York Times*, 28 December 2002).

North Korean Ambassador to Russia Pak Ui-chun first suggested at a news conference on 31 December that it would withdraw from the NPT. As the United States threatened North Korea with a pre-emptive strike, the ambassador said: 'we also cannot fulfill the nonproliferation treaty, the basic clause of which is the obligation of nuclear states not to use the nuclear weapon against states which do not possess it' (*New York Times*, 31 December 2002). Victor Cha, a Korea expert at Georgetown University, argued that North Korea had chosen a new strategy: to acquire some form of nuclear deterrent as quickly as possible, and then try negotiations from a position of strength (*ibid*). The IAEA decided to condemn North Korea's nuclear activities but delayed taking the issue to the UN Security Council for economic sanctions, a decision welcomed by President Bush (*New York Times*, 6 January 2003). On 7 January 2003, South Korea, Japan and the United States held a TCOG meeting again, which marked the Bush administration's shift of stance from isolating North Korea to dialogue with it. A joint statement said: 'The U.S. delegation explained that the United States is willing to talk to North Korea about how it will meet its obligations to the international community'. However, North Korea declared on 10 January it would withdraw from the NPT, effective 11 January. On 5 February, North Korea said that it had resumed normal operations at a nuclear reactor that could be used to produce weapons-grade plutonium. The IAEA decided on 12 February to refer the issue to the UN Security Council. On 9 April, the United States sought to issue a chairman's statement in the Security Council, but failed in the face of opposition from China and Russia, which subsequently led to an arduous process of multilateral negotiations to resolve the issue (Kim T.H. 2003).

3. Three Levels of Comprehensive Engagement

Now that we have been able to provide details on North Korea's nuclear weapons programmes, this section will employ the framework of three-level comprehensive engagement, proposed in Chapter Three, to explain how the Kim administration sought to address North Korea's nuclear challenges. For the Kim administration, possessed of an insight on North Korea's decades-long nuclear ambitions and security dilemma, its latest brinkmanship was a serious, but not a fatal, blow to the strategy of engagement.

As a norm entrepreneur championing the idea of enmeshing North Korea in a web of political and economic interactions, the Kim administration mobilized all available means to deter the United States from launching punitive actions against North Korea and pushed ahead unequivocally with its scheduled course of inter-Korean integration.

3.1. The Domestic Level: identity shifts

Following North Korea's admittance of a clandestine nuclear programme, the Kim administration was apparently gripped by a sense of another crisis that could again potentially jeopardize its engagement with North Korea, but remained adamant on pursuing its avowed course of action: a peaceful resolution of the dispute through dialogue. It was President Kim that had advised former US President Carter to visit North Korea at the height of the first nuclear crisis in 1994 as a way to defuse tension and arrange a negotiated settlement. Given North Korea's security dilemma, any coercive action, which could heighten the chances of war, was not an option for the Kim government, since it could lead to a catastrophe with huge losses to life and property, even though South Korea could eventually emerge triumphant.¹⁴

This section will first shed light on a set of policy-relevant ideas held by the Kim administration in addressing the nuclear issue. It will then analyze how these ideas had been translated into actual diplomacy, demonstrating the shift in identities of the South Korean leadership and general public vis-à-vis North Korea. This section will conclude with an analysis of why South Koreans' identity shifts vis-à-vis the North had led to the erosion of the traditional US-South Korea alliance, which emerged as one of the biggest obstacles to US strategists seeking to take punitive actions against North Korea.

3.1.1. Ideas

Given the long span of North Korea's nuclear ambitions, as outlined in the previous section, the policy-making communities of South Korea and the United States had been able to access a wide range of ideas and policy suggestions on how to deal with enemy states. Nevertheless, President Kim adopted a narrow set of ideas that offered specific criteria in assessing information and prescribing policy options, since he was convinced that a comprehensive settlement of all issues involved was the only way to end North Korea's nuclear ambitions in a peaceful manner. From the outset, the Kim administration ruled out such options as economic sanctions or other coercive measures,

¹⁴ For example, Sigal (1998: 9) noted that another Korean war might cost an estimated 500,000 US and South Korean military casualties and US\$60 billion to US\$1 trillion in military expenditures, to say nothing of the huge number of civilian deaths and damage to the South Korean economy.

since it regarded them as obstacles to an overall settlement of the standoff. While making a public announcement on the North's admission of a clandestine nuclear programme simultaneously with the United States in October 2002, the Kim administration put forward ready-made prescriptions for the North Korean issue. Revisiting one of the Sunshine Policy's principles that South Korea would not tolerate North Korea's development of nuclear weapons, the Kim administration emphasized the peaceful resolution of the issue through dialogue.

All of President Kim's ideas of 'parallelism', 'a package deal' and 'bilateralism', to be paraphrased in this section, however, were not compatible with those of the Bush administration's strategists, who sought to preserve preponderance in an arguably unipolar world by placing economic policies at the service of national security and by resorting to traditional divide-and-rule strategies.

Parallelism. One of the Kim administration's key strategies of engaging North Korea, which could be equally applicable to the North Korean nuclear issue, was the 'parallel' pursuit of national security and inter-Korean economic cooperation. Lim (2002: 72) noted that former President Kim Young-sam's 'nuclear linkage strategy' in which Seoul tied the improvement of inter-Korean relations to the settlement of the 1994 nuclear crisis only resulted in the escalation of tension on the Korean Peninsula. Therefore, the Kim Dae-jung administration sought to implement a 'parallel strategy', which was first introduced by the Roh Tae-woo administration in 1991 when it strove to resolve the North Korean nuclear issue in parallel with inter-Korean efforts to conclude the Basic Agreement (ibid: 69). Supporters argued that this two-track approach helped reduce tension on the Korean Peninsula without compromising South Korea's security (Park K.Y. 2001; Harrison 1997), while critics contended that it eroded the foundation of the traditional three-way policy coordination among South Korea, Japan and the United States (Levin and Han 2002).

This idea of 'parallelism' stemmed partly from Seoul's top policymakers' misgivings about the intentions and strategies of hawkish US politicians and officials, since they believed that the US hawks had resorted to so-called 'media play' by intentionally leaking intelligence or other information to newspapers, despite a lack of material to back up the claims, in order to derail the bilateral policy coordination process and, ultimately, the process of rapprochement between North and South Korea and between North Korea and Japan.¹⁵ President Kim's Special Advisor Lim Dong-won

¹⁵ The controversies over the Kumchang-ri underground facilities in 1998 and the HEU programme in 2002, the two most serious North Korean nuclear challenges during the Kim administration, have striking

(Interview: 2003) noted:

I believe the reason why [US Assistant Secretary of State] Kelly raised the uranium issue was to apply the brake to the progress of inter-Korean relations, which was on track with bilateral efforts to connect railways and roads, and the improvement of Japan-North Korea relations after Koizumi's trip to Pyongyang.¹⁶

In fact, intelligence is no more than 'an informed guess',¹⁷ especially in the case of the closed state like North Korea, and, therefore, it is up to the policymakers what pieces of intelligence they would pick to make the case for a certain political action and when.¹⁸ Despite a wide range of allegations and news reports on the discovery of North

similarities. A South Korean government official, who requested anonymity, explained the process of bilateral consultations and media leaks as follows: at first, US or South Korean intelligence communities detected North Korea's clandestine programmes, which were later reported to top administration officials, leading to bilateral ROK-US consultations, as well as internal deliberations, on how to respond to them. The reason why the two administrations failed to come up with decisive countermeasures immediately was that what they had secured were intelligence-level data without being backed up with concrete evidence. In the process of undisclosed brainstorming and consultations, the facts were leaked to the US media, such as *The New York Times* and *USA Today*, by US administration sources apparently on purpose. The premature revelation sent bilateral consultations to a new dimension by touching off parliamentary debates and frantic media and public attention, which apparently resulted in boosting the positions of the conservative forces supporting hard-line stances. For example, the United States and South Korea launched consultations on how to address North Korea's revelation of a nuclear weapons programme, made during US Assistant Secretary of State James Kelly's visit to Pyongyang without revealing it to the public for the time being. They aimed to pull South Korea into line by the time President Kim held a three-way summit with President Bush and Prime Minister Koizumi on 26 October 2002 on the sidelines of the APEC summit in Mexico. However, it was not easy to iron out their differences because the Kim government declined to use any coercive means while calling for the resolution of the issue through dialogue. As the two countries realized their positions were incompatible, some in the US policy-making circle leaked North Korea's alleged admittance to its clandestine programme to the US media, a situation that prompted the Bush administration to hurriedly request Seoul to make an announcement on the fact without further consultations on joint strategies. The State Department made a public announcement on it at 9:30 p.m. on 16 October when it realized *USA Today* would release a report shortly.

¹⁶ Since President Bush briefed Prime Minister Koizumi during a summit in New York on 12 September 2002 about North Korea's suspected HEU programme, Koizumi knew of it in detail but still pushed ahead with his visit to Pyongyang on 17 September. *The Yonhap News Agency* (17 October 2002), citing *The Kyodo News Agency*, reported that the US action was a step to hamper the speedier developments in Japan-North Korea normalization process after Koizumi's trip to North Korea for a summit with Chairman Kim.

¹⁷ Referring to intelligence on weapons of mass destruction, gathered by the US and British intelligence communities before the war on Iraq, former British Foreign Secretary Robin Cook, who appeared on BBC4 Radio on 2 February 2003, dismissed it as no more than 'an informed guess'. Former US Ambassador to Seoul Donald Gregg also noted that North Korea represented 'the longest-running intelligence failure in U.S. history' (Reiss 2000: ix).

¹⁸ There was a series of reports and speculations on when South Korea and the United States had first detected North Korea's HEU programme. One notable thing is that policymakers had 'cherry-picked the evidence' to justify their action, as demonstrated in the Bush administration's actions in the run-up to the

Korea's HEU programme, South Korean and US officials shared the view that they had secured convincing intelligence on it in 1999, even though they decided not to make it public. It was South Korea that first secured the intelligence on North Korea's attempts to purchase key materials for gas centrifuges and handed it over to the United States in 1999 (Moon Bong-joo, Interview: 2003). Following the initial exchange of intelligence, the United States secured concrete information in July 2002 that North Korea had introduced key equipment for the production of gas centrifuges from Pakistan and notified the South Korean government to that effect in August (Shim Yoon-jo, Interview: 2003).¹⁹ Even though they secured evidence that North Korea had

Iraq war (*New York Times*, 8 February 2004). National Security Advisor Condoleezza Rice told CNN that Washington secured clear evidence in 1999 that North Korea was developing nuclear weapons, even though there had been fragmented pieces of intelligence on the suspicion even before that (*Yonhap News Agency*, 21 October 2002). According to *The Washington Post* (19 October 2002), the United States secured evidence of North Korea's uranium enrichment efforts in 2001, but only decided to confront the Pyongyang government in 2002. Selig Harrison, citing US officials, said at a Seoul conference that the Clinton administration briefed Bush's transition team on Pakistan's transfer of uranium enrichment technology to North Korea (*Yonhap News Agency*, 25 July 2003). Asked why the Clinton administration did not take any action in spite of its knowledge of the North's HEU programme, Wendy Sherman, former US North Korea policy coordinator, noted that the Clinton government did not take it seriously because it had no information on the North's capability of piecing together things into actual nuclear weapons despite its intentions to develop them (*Joongang Ilbo*, 29 August 2003). *The Washington Post* (19 October 2002) cited a high-ranking South Korean MOFAT official as saying that the United States, which had at least 'rudimentary intelligence' about North Korea's HEU programme, told South Korea of the programme by August 2001.

¹⁹ According to the US intelligence community, North Korea and Pakistan maintained a perfect marriage of interests, with Pakistan providing the North with designs for gas centrifuges for its nuclear weapons programme and North Korea offering missile parts the state needed to build a nuclear arsenal capable of targeting every strategic site in India (*New York Times*, 21 November 2002). In a unique relationship between an Islamic state and a communist state, that dated back to the early 1990's, when Benazir Bhutto was the Pakistani prime minister, Pakistan's Khan Nuclear Research Laboratories had maintained ties with the North Korean military (*ibid*). Led by Dr. A.Q. Khan, called 'the father of the Islamic bomb', the institute succeeded in developing Pakistan's nuclear bombs based on uranium enrichment technologies. South Korean Defence Minister Lee Joon told the National Assembly Defence Committee that the Seoul government had been monitoring North Korea's activities since it secured the relevant intelligence in 1999 (*Joongang Ilbo*, 22 October 2002). NIS director Shin Kun told the National Assembly Information Committee that his agency started tracing North Korea's attempts to develop nuclear weapons after securing information that three North Koreans were dispatched to Pakistan's Khan Research Laboratories (*Joongang Ilbo*, 25 October 2002). The South Korean intelligence agency further secured information in March 1999 that North Korea was seeking to introduce equipment for gas centrifuges, an attempt foiled by joint ROK-US efforts (*ibid*). US satellites also detected a Pakistani C-130 loading North Korean missile parts from a North Korean airport as part of a barter deal between the two countries (*New York Times*, 21 December 2003). *Yomiuri Shimbun* (23 October 2002) reported that North Korea kicked off a project in 1997 to build several facilities housing about 1,000 gas centrifuges and secured high-grade aluminium tubes from Pakistan. *The Wall Street Journal* (17 October 2002), making a similar report, contended that the United States did not reveal it at the time because Washington was preoccupied with its future war on Iraq. A classified intelligence report presented by the CIA to the White House in March 2004 further contended that the Khan Research Laboratories provided North Korea with all the equipment and technology for the production of uranium-based nuclear weapons, including nuclear fuel, centrifuges and one or more warhead designs, which prompted intelligence officials to believe North Korea could produce a weapon as early as sometime in 2005 (*New York Times*, 14 March 2004). The intelligence

introduced gas centrifuges and relevant technology from Pakistan, South Korea and the United States differed over when North Korea could assemble them into nuclear weapons and how they should deal with the looming crisis.²⁰

South Korea and the United States cooperated in the spirit of the alliance in collecting intelligence on Pakistan's transfer of the HEU programme to North Korea, but differed markedly in analyzing and processing the collected data into actual policies. For the Bush administration, North Korea's acquisition of gas centrifuges and relevant technology was enough to make the case for the employment of coercion, including economic sanctions or a pre-emptive strike. For the Kim administration, however, it was not an imminent threat requiring the abandonment of inter-Korean rapprochement.

Package Deal. From the outset, the Kim administration advocated a comprehensive solution to all pending issues in a package deal between North Korea and the United States. As demonstrated in Chapter Six, it endeavoured to convince US policy coordinator William Perry that the most desirable way to engage North Korea was to suggest a roadmap leading to the full-fledged normalization of bilateral relations. The Kim administration's engagement policy was based on a fresh recognition of South Korea's prowess in both military and economic terms over North Korea and the reconfiguration of national interests, marking a definite departure from the zero-sum calculations of previous South Korean governments.

This shift of strategies reflected the Kim administration's understanding of North Korea's security dilemma.²¹ It believed that one of the reasons driving North Korea to arm itself with nuclear weapons was the presence of an enemy state, the United States,²² while its former patron, the Soviet Union, significantly lost its influences on the Korean Peninsula after the Cold War and China had become an untrustworthy alliance partner preoccupied with its own capitalist experiment (Liu 2003: 352). Amidst total isolation and constant threats from the United States, North

report was based in part on Pakistan's accounts of its interrogations of Dr. Khan.

²⁰ China also had a completely different picture on North Korea's nuclear programmes. It told the Bush administration that North Korea was far away from creating a uranium bomb, dismissing US concerns by referring to the CIA's mistake in assessing Iraq's nuclear programme (*New York Times*, 14 March 2004).

²¹ North Korea's dilemma was typically characterized by the metaphor of 'muddling through', since its adherence to a nuclear option might invite military action by the United States, while the abandonment of this option or appeasement might drive the North to 'the point of no return' (Kim T.H. 2003a: 345).

²² North Korea has referred to the United States as 'sworn enemy', 'main enemy', or 'American imperialists' since the Korean War (Kim Y.S. 2004: 42). Former US Ambassador to South Korea Stephen Bosworth (1997-2000) noted: 'They may be paranoid, but they do have enemies.... Certainly there is no reason for them not to think of the Bush administration — and more generally, the United States — as an enemy' (*New York Times*, 2 November 2002).

Korea was apparently forced to develop nuclear weapons for its own security and to deter outside attacks (Roh 2003). Paik Jin-hyun (1999: 54) noted:

The South Korean government views Pyongyang's recent provocations and weapons of mass destruction program as a reaction to fear of collapse and a desire to maintain its present regime. In short, the North's nuclear weapons and missile development program, along with other apparent threats, would have been designed for self-defense rather than as a tool of aggression, serving mainly as a bargaining chip to realize the ultimate goal of improving its relations with Washington. In Seoul's estimation, improved US-North Korea relations would be an automatic solution. Seoul also emphasizes that even if there is a breakthrough in the nuclear-related talks, unless Pyongyang's fears are allayed, it will only lead to the emergence of other security-related issues. Thus, South Korea is pressing for a fundamental and comprehensive approach to address the roots of the problem, emphasizing the need for improved US-North Korea relations.

Although the Pyongyang leadership had remained steadfast to the 1994 AF through October 2002, it feared that it could receive nothing in return because the delivery of LWRs fell far behind schedule and no progress was made in its efforts to normalize relations with the United States (Laney and Shaplen 2003).²³ In particular, North Korea regarded the AF as 'a lever for rectifying what it sees as a one-sided US alignment with South Korea based on Cold-War geopolitical premises that are no longer valid' (Kim and Harrison 1995: 3). Therefore, the Bush administration's abandonment of the process of US-North Korea rapprochement, initiated by President Clinton, could be a prime catalyst for North Korea's defection from the AF. Even before North Korea's admission of a nuclear weapons programme, the Kim administration worked to induce North Korea and the United States to the negotiating table to draw a new roadmap since it realized that the AF process was on the verge of collapse. As shown in Table 7.1, North Korea had repeatedly hinted at the possibility of abandoning the AF and resuming nuclear activities in a warning to the international community, which was not heeded by the United States.

²³ Under the AF, the year 2003 was a target date for the completion of two LWRs, but there was no provision for compensation for the possible delays (Hayes *et al.* 2003).

Table 7.1 North Korea's Stance Regarding the AF

Date	Contents
20 Sept. 1996	'If the DPRK-US Agreed Framework is discarded, we can comfortably continue to develop our independent nuclear power industry based on our own funds, technology and fuels without any restraints' (Report in <i>Rodong Shinmun</i>)
6 March 1998	'Now, our competent department demands that the DPRK no longer lend an ear to the empty promises of the US, such as the easing of sanctions and the construction of LWRs, but do as it originally planned, because it does not make any sense to victimize our independent nuclear power industry continuously with hopes pinned on the LWRs that are not sure to come' (Statement issued by the Foreign Ministry spokesman)
17 Oct. 1998	'In the agreement, the US is obliged to supply LWRs with a total generating capacity of two million kw to the DPRK by 2003, to deliver 500,000 tons of heavy oil to the DPRK every year, to lift or remove sanctions and restrictions and neither to use nuclear weapons nor to threaten the DPRK with them. The United States, however, has not fulfilled any of the obligations faithfully. It is self-evident that in this situation, we cannot pin our hopes on the agreement with the US' (Report in <i>Rodong Shinmun</i>)
28 Jan. 1999	'We have suffered economic losses as the reward for our sincere implementation of the Agreed Framework. Under this condition, the US should make compensation and reparations for that' (Report in <i>Rodong Shinmun</i>)
25 Feb. 1999	'Some media have recently said that the construction of LWRs would be completed far beyond the year 2003. If that is true, this means the US side has violated the DPRK-US Agreed Framework and provisions of the agreement regarding the supply of the LWR' (Statement issued by the Foreign Ministry spokesman)
23 Dec. 1999	'If the construction is not completed as promised under the Agreed Framework, our economic loss caused by the failure, to say nothing of what we lost due to the sacrifice of our independent nuclear power industry, will have to be counted or any other step of weighty importance will have to be taken' (Statement issued by the Foreign Ministry spokesman)

- 3 Feb. 2000** 'The frozen building of a nuclear power base has already caused a loss of tens of billions of kwh of electricity, bringing immeasurably adverse effects on the national economy and the people's living standards. The Korean people and the people's army, greatly infuriated by this, are unanimously pushing for compensation for the loss and strongly asserting that the *juche*-based nuclear power building be pressed ahead with as originally scheduled' (Remarks made by Vice Premier Jo Chang-dok)
- 1 July 2000** 'The US should choose one of the two options: to make compensation for the loss of electric power or allow the DPRK to produce electricity by its own efforts' (Statement issued by the Foreign Ministry spokesman)
- 22 Feb. 2001** 'If it does not honestly implement the Agreed Framework as today, there is no need for us to be bound to it any longer. We cannot but consider the existence of the KEDO as meaningless under the present situation where no one can tell when the LWR project will be completed' (Statement issued by the Foreign Ministry spokesman)
- 16 May 2001** 'Under the circumstances where the LWR project has been greatly delayed, a serious issue is presented as to whether the US is going to make due compensation for the electricity loss caused by the freeze of graphite-moderated reactors by the year 2003, or skip it without making any compensation. If the US goes without compensation, it would possibly create a situation where we have to re-operate the graphite-moderated reactors' (Special report by the KCNA)
- 18 June 2001** 'The Agreed Framework is in danger of collapse due to the delay of the LWR provision. We are of the view that the issue of compensating for the loss of electricity caused by the delay in the LWR provision, which we have already proposed to the US side as a solution to the issue, should be adopted as a primary item to be taken up at the negotiations' (Statement issued by the Foreign Ministry spokesman)
- 6 March 2002** 'The Agreed Framework is now at risk owing to the US unilateral and antagonistic attitude and stand. Its implementation, as a matter of fact, provides a good way of settling the nuclear issue on the Korean Peninsula, but the United States is keen to totally nullify it. Under this situation, the DPRK can no longer underline the significance of the framework now gathering dust but will go its own way, not unilaterally

bound to the framework (Commentary by the *KCNA*)

13 Aug. 2002 'The Agreed Framework stands at the crossroads of abrogation or preservation due to the substantial delay in the provision of the LWRs, the core issue' (Statement by the Foreign Ministry spokesman)

Source: *Vintage Point* 25 (11): 13-5.

Even though the delay had been caused by North Korea's military provocations in the mid-1990s, such as the 1996 submarine incident, as well as the difficulties in implementing a multilateral construction project in an underdeveloped state, the revelation meant North Korea had been 'hedging' for some time against the failure of the AF (Wit 2002b: 30). North Korea might have already drawn a lesson from India and Pakistan that US economic sanctions, imposed after their development of nuclear weapons, were relatively short-lived (Kimball 2003).

The Kim administration's idea of a package deal was conceived in recognition of North Korea's traditional approach to this issue, as well as its security dilemma. North Korea has long advocated a package deal in its desire to trade off its nuclear weapons programmes with the US diplomatic recognition and economic assistance. Table 7.2 shows North Korea's proposal for a package deal.²⁴

Table 7.2 North Korea's Package Deal Proposal

The United States	North Korea
Guarantees non-aggression	Not build nuclear weapons and allows inspections
Establishes DPRK-US diplomatic relations	
Guarantees DPRK-Japan, DPRK-South Korea economic cooperation	Ultimately dismantles its nuclear programme
Compensates for the loss of electricity due to the delay in the construction of the LWR plants and completes the construction of the LWR plants	Places a moratorium on missile tests and stops missile exports

Source: compiled from *Vintage Point* 27 (2): 26.

²⁴ This proposal was revealed by Ri Gun, deputy chief of the US Affairs Bureau of the North Korean Foreign Ministry and one of the delegates to the six-party talks, in a letter to the Center for National Policy for the Johns Hopkins Comparative Nonproliferation Sector Project in December 2003. The letter was carried on *Vintage Point* 27 (2): 24-7.

North Korea contended it was the United States that first violated the AF, since Washington failed to move toward normal ties and caused long delays in the completion of two nuclear reactors.²⁵ Sigal (2000a: 72) argues that North Korea had played ‘tit-for-tat – cooperating when the United States cooperated, retaliating when the United States reneged – in an effort to get the United States to negotiate in earnest’. In particular, President Bush’s description of North Korea as part of the ‘axis of evil’, along with Iraq and Iran, and the administration’s threat to launch a pre-emptive attack, alarmed the North Korean leadership and forced it to redraw its policies towards the United States.²⁶

As far as North Korea’s nuclear ambitions are concerned, the Kim administration was a strong advocate of a trade-off scenario. It believed that once the outside world, especially the United States, offered security guarantees in the form of a non-aggression treaty and economic assistance, North Korea was ready to scrap its nuclear weapons programmes. Lim Dong-won, known as the architect of the Sunshine Policy, argued that North Korea’s propensity for going nuclear stemmed from its fear of possible US nuclear attacks, as South Africa took a similar step in anticipation of an attack by Soviet-inspired forces in southern Africa.²⁷ Based on this rationale, North Korea was set to scrap its nuclear weapons programmes voluntarily if there were no outside threat, just like South Africa did. Lim (Interview: 2003), noted:

We cannot see a complete resolution of North Korea’s nuclear issues as long as North Korea feels the need to possess nuclear weapons. In fact, North Korea’s security dilemmas, stemming from the possibilities of US nuclear threats, joint US-ROK invasion, and unification by absorption, forced it to develop nuclear weapons.

North Korea’s ‘confession diplomacy’, which *The Guardian* (22 October 2002) interpreted as a distress call for salvaging its crippled economy, further made South

²⁵ In the aforementioned letter, Ri said, ‘The U.S. was the first to violate the Agreed Framework’. According to him, the United States failed to provide LWRs by the target date of 2003, despite its freeze of nuclear power generation, and normalize diplomatic relations with North Korea with economic sanctions in place. In addition, the United States threatened to use nuclear weapons and forced North Korea to submit to early IAEA inspections.

²⁶ However, US Secretary of Defence Donald Rumsfeld, dismissing this allegation, argued that ‘[t]he idea that it’s the rhetoric from the United States that’s causing them to starve their people or to do these idiotic things misses the point’ (*New York Times*, 23 December 2002).

²⁷ South African President F.W. de Klerk scrapped nuclear weapons in 1989 as soon as its security concerns were alleviated with the end of the Cold War (Albright 1994).

Korean strategists consolidate their belief that North Korea was all out to trade its nuclear weapons for security guarantees and economic aid.²⁸ Following this line of thought, Joel Wit (Interview: 2003), a former US State Department official in the Clinton administration, forecast that the North's HEU programme would 'see a resolution similar to the 1994 Agreed Framework', since there is no other viable option. In particular, Wit noted that the outside world should not regard North Korea's rhetoric and bargaining tactics as 'rigid' because North Korean negotiators 'make mistakes and change their positions during dialogue'. *The New York Times* (18 October 2002), citing comments by experts, noted that the United States found it difficult to reach a decision on invading North Korea, since the state has yielded to international pressure, as in the 1994 nuclear crisis; its nuclear programmes were deterrence-oriented, unlike Iraq's but similar to Pakistan's; it possesses military ability to attack neighbouring states; and it suffers from economic difficulties, subjecting it to a possible diplomatic solution through a trade-off. Nevertheless, this 'confession diplomacy' failed to achieve the intended goals, since the 'strategy of coming clean and distancing itself from its own past' had only aggravated its relationship with the United States (Cheon 2002: 476). North Korea, by admitting to its nuclear weapons programme, violated four major agreements: the NPT, the IAEA Safeguards Agreement, the inter-Korean agreement on the denuclearization of the Korean Peninsula, and the AF (ibid).

If properly handled, however, the crisis could offer a window of opportunity for all countries involved because it allows Washington to replace the flawed AF with a new mechanism, which could better serve the interests of the United States and its allies (Laney and Shaplen 2003). Basically, many experts believe that a modified and more comprehensive version of the AF might emerge as a result of multilateral negotiations that would embody steps that trade 'formal security guarantees, economic assistance, and diplomatic recognition for a complete and verifiable abandonment of Pyongyang's nuclear program' (Romberg and Swaine 2003: 5). Detractors of the comprehensive deal, meanwhile, called for stricter penalties, including strengthened interdiction, to enforce the non-proliferation regime and discourage other states from going nuclear (Sokolski

²⁸ One rationale North Korea developed to justify its development of nuclear weapons was the state's economic failings, which made it difficult to maintain large-scale conventional forces. On 9 June 2003, North Korea officially said it wanted to keep nuclear weapons as a deterrent in order to cut its 1.1 million conventional forces and divert funds into the economy. *The New York Times* (9 June 2003) carried a report by *KCNA*: 'We are not trying to possess a nuclear deterrent in order to blackmail others but we are trying to reduce conventional weapons and divert our human and monetary resources to economic development and improve the living standards of the people'. Even though the Bush administration initially sought to address the issue of North Korea's conventional weapons, it was unlikely to welcome this linkage between conventional and nuclear weapons (ibid).

2003).

In sum, President Kim tried to lay the groundwork for the resolution of the nuclear issue by formulating a grand framework rather than prescribing such a 'default option' as economic sanctions, as observed in Chapter Two. The Kim administration, helped by China and Russia, succeeded in preventing the United States from veering off the course of a negotiated solution of the issue. Nevertheless, the United States remained sceptical regarding the trade-off scenario. CIA director George Tenet told the Senate Armed Services Committee on 12 February 2003 that North Korea had settled on a two-fold strategy of keeping its nuclear weapons programme even as it sought to improve ties with the United States (*New York Times*, 23 February 2003).

Bilateralism over Multilateralism. As President Kim's Special Advisor Lim Dong-won (Interview: 2003) and National Security Advisor Yim Sung-joon (Interview: 2003) noted, the Kim administration believed that a trade-off scenario could be operationalized only through direct dialogue between North Korea and the United States, rather than multilateral talks, whose feasibility was in doubt. In this respect, Seoul's approach was also in sync with Pyongyang's insistence that direct dialogue between North Korea and the United States was the only way to resolve this issue.²⁹ Suh J.S. (2002: 33-4) noted that North Korea acknowledged its HEU programme for the purpose of reaching a compromise with the United States, rather than other scenarios, such as an 'accidental' admission, brinkmanship or making its program a *fait accompli*. Therefore, he called on South Korea to play a proactive role as an intermediary between the United States and North Korea, which lacked an official channel of dialogue (*ibid*).

The Kim government made efforts to broker the dialogue between the United States and North Korea lest the two states 'cross each other's red lines', as illustrated in the next section. Initially, the South Korean government needed to prevent the problem from escalating into a crisis by persuading the two sides to refrain from using offensive words against each other. As shown in the previous section, North Korea regarded the United States as a prime enemy, while President Bush harboured deep personal antipathy towards Chairman Kim, as when he noted he 'loathed' him (Woodward 2002: 340). North Korea's repeated admission of a nuclear weapons programme aggravated the situation, polarizing views in both South Korea and the United States, while the US rhetoric, such as the 'axis of evil', and subsequent threats to impose economic sanctions

²⁹ *Rodong Shinmun* (24 December 2002) claimed that bilateral talks between North Korea and the United States, allegedly the only parties responsible for the nuclear problem, are the only path to the resolution of the current situation, while warning that any efforts to internationalize it would push things to an 'uncontrollable catastrophe'.

and take military action, propelled North Korea to take an even more provocative course of action: the expulsion of IAEA inspectors, withdrawal from the NPT and acceleration of efforts to enrich uranium and extract plutonium (Kimball 2003). With North Korea expediting the process of arming itself with nuclear weapons, the United States opted for demonizing North Korea and calling on the Pyongyang regime to dismantle its nuclear programmes without offering any face-saving measures to induce it to do so (ibid).

3.1.2. Identity Shifts

North Korea's admittance of a nuclear weapons programme caused consternation among many South Koreans, especially because it came right after the euphoria of inter-Korean rapprochement during the Asian Games, held in Pusan from 29 September to 14 October, when North Korea sent a large-scale delegation of athletes and cheer leaders. Nevertheless, South Koreans did not feel any direct threats from the North's nuclear weapons programme, unlike at the time of the first nuclear crisis in 1994. This change of South Koreans' perceptions, to be analyzed in this section, serves as further evidence of the identity shifts of South Koreans vis-à-vis North Korea in the new social setting emerging after the 2000 inter-Korean summit. Buoyed by the public's calmness and patience, the Kim administration could continue to adhere to an engagement option in spite of the opposition parties' demand for the repeal of the Sunshine Policy.

Cold War Identities. At the time when North Korea acknowledged the existence of a nuclear weapons programme in October 2002, the Kim administration launched strategies of comprehensive engagement based on the solid foundation of the public's shifted identities vis-à-vis North Korea in a departure from the past policies formulated on the basis of Cold War identities. During the 1994 nuclear crisis, President Kim Young-sam did not embrace the idea of a 'comprehensive' settlement of all issues involved, since it was similar to North Korea's proposal for a package deal and domestic opinion would not support an option tantamount to 'appeasement' (Nam 1995: 163-70). At that time, the Kim Young-sam government's basic strategy was a combination of carrots and sticks in which it pushed ahead with UN economic sanctions against North Korea in parallel with a negotiated solution. When North Korea escalated tensions by discharging spent nuclear fuel rods from its reactor in the absence of IAEA inspections in May 1994 and announced its withdrawal from the IAEA in June, the Kim Young-sam government's policies were moving in the direction of seeking to adopt UN sanctions, which might comprise interdiction, a ban on remittances to North Korea and

a freeze on North Korea's overseas assets. South Korean 'nuclear ambassador' Kim Sam-hoon noted that the UN sanctions would contain specific measures to press North Korea to give up its nuclear ambitions (*Seoul Shinmun*, 6 June 1994).

Subsequently, the South Korean public was gripped by the fear of war, which led some citizens to stockpile food in preparation for any contingency. Public opinion was, as touched on earlier, sharply divided, precluding any direct impact on the policy-making process. Foreign Minister Han Sung-joo complained in a press interview: 'Since public opinion was evenly divided and polarized, the same policy has been subject to public criticism for being too strict or too soft, depending on the commentator' (*Donga Ilbo*, 25 June 1994). This division in public opinion was exacerbated by South Korea's media organizations, which were caught up in an internal war, with some broadcasting companies airing special programmes on the looming war on the Korean Peninsula and some newspapers criticizing them for 'warmongering' (*Hankyoreh*, 17 June 1994). South Koreans' fear stemmed partly from the rising antagonism towards North Korea expressed by the United States. According to an opinion poll reported by *ABC* (9 June 1994), 78 per cent of Americans supported economic sanctions against North Korea, while 48 per cent even favoured military action. *The Los Angeles Times* (12 June 1994) reported that the Korean Peninsula was on the crossroads between war and peace. As the US media reports were heavily inclined to play up the war option, citing, for example, the assessment of North Korea's nuclear weapons programmes by CIA director James Woolsey, US Ambassador to Seoul James Laney complained that Woolsey's remarks were 'far-fetched and exaggerated' (*Washington Post*, 15 June 1994).

Despite his lack of a viable option to address the nuclear crisis, President Kim Young-sam expressed his reservation over former US president Jimmy Carter's visit to Pyongyang, noting that North Korea might take advantage of his visit for propaganda purposes (*Hankyoreh*, 12 June 1994). Nevertheless, the United States and North Korea entered into negotiations to defuse the crisis and created the Agreed Framework. To many South Koreans, the fact that South Korea was sidelined throughout the negotiation process was a humiliation as well as a potential security threat because they could not acquire detailed information on the progress of the talks, which might include diplomatic normalization of the two states, the fate of the US forces stationed in South Korea and other issues affecting Seoul's national interests (Kim T.W. 1995). They were not only uncomfortable with their status as bystanders during the US-North Korean negotiations, but were also not ready to accept a hasty improvement in US-North Korean ties ahead of inter-Korean rapprochement. To some South Korean nationalists, indeed, the deal symbolized 'US inattention and vacillation, superpower double

diplomacy, all-adversary bed-sharing, double betrothal, officiator-bride elopement, dilution of traditional alliances, subservience of South Korean diplomacy, sponsoring of somebody else' festival, DPRK diplomatic adroitness', against which South Korea was forced to play the role of the anti-hero (ibid: 661).

In the face of the resurgence of the North Korean nuclear problem in 2002, South Korea's political parties were divided along the same policy lines as in the 1994 crisis. Presidential candidate Roh Moo-hyun, who represented President Kim's MDP, proposed a peaceful resolution of the North Korean nuclear issue through dialogue, while the opposition GNP called on the government to reconsider its engagement policy and suspend assistance to North Korea, noting that its development of nuclear weapons was something 'unpardonable to global peace, as well as peace on the Korean Peninsula' (*Joongang Ilbo*, 17 October 2002).

The Kim government's failure to publicize the HEU-related information for three years since 1999 also became the target of criticism from GNP lawmakers. GNP Chairman Suh Chung-won claimed that the Kim government did not take appropriate actions to stop North Korea's development of nuclear weapons while offering cash to help it via the Hyundai Group (*Joongang Ilbo*, 22 October 2002). In particular, Rep. Park Se-hwan contended at the National Assembly Defence Committee that the Kim government had kept it clandestine because it feared that the new revelation could damage the Sunshine Policy. However, Deputy Defence Minister Cha Young-koo contended at the committee that the intelligence was so premature at that time that the Seoul government decided not to publicize it (ibid).

North Korea as Partner of Coordination. In contrast to the 1994 crisis during which North and South Korea remained incommunicado in the absence of any official channel of communication, the Kim administration, dealing with a similar crisis in 2002, was able to exploit several inter-Korean channels and emerge as an honest broker to induce the United States and North Korea to resolve their differences through dialogue. In 1994, North Korea was projected as a clear enemy state that could turn Seoul into 'a sea of fire', as illustrated in Chapter Four. In 2002, however, North Korea was far from the image of an enemy, with South Korea taking a 'neutral' stance between Pyongyang and Washington.³⁰

Some strategists nevertheless believed that the discrepancies in the stances and approaches taken by South Korea and the United States could be eventually effective in

³⁰ Columnist William Safire (*New York Times*, 3 March 2003) described South Korea as a 'neutral' state in regard to its policies towards the North's HEU programme.

dealing with North Korea. Kim Tae-woo, an expert of the Korea Institute for Defense Analysis, noted that South Korean strategists valued the Bush administration's rhetorical hard line, since South Korea itself did not have enough leverage to change North Korea's attitude (*New York Times*, 20 November 2002). As for an emerging US strategy at that time, a US official also noted: 'We play the bad cop, the Chinese play the good cop, and the Japanese potentially play the sugar daddy whose investment in North Korea is at stake' (*New York Times*, 25 October 2002).³¹ However, this strategic division of roles was no more than a superficial observation, and did not reflect the views of top South Korean policymaking elite, who had already embraced new identities vis-à-vis North Korea and the United States.

Since South Korea did not succumb to US pressure, the North Korean media took advantage of South Koreans' shifting identities as part of their strategy to further drive a wedge between South Korea and the United States. Calling for joint inter-Korean efforts, *Rodong Shinmun* (23 December 2002), an official mouthpiece organ of the North Korean Workers' Party, proposed in an editorial that it was time for the two Koreas to frustrate the US 'imperialists' aggression and anti-reunification moves. The North Korean government moved to sharpen the divide between the South and the United States by suggesting in a New Year's message that Koreans from both states had a common cause against Washington (*New York Times*, 1 January 2003).

Opinion Polls. After the resurgence of the nuclear weapons issue, civil society in South Korea was divided into two groups, with the progressive camp calling for a peaceful resolution of the issue through direct US-North Korean dialogue and the maintenance of the AF, and the conservative camp demanding that North Korea immediately abandon the nuclear programme and the international community suspend assistance to North Korea (*Joongang Ilbo*, 13 November 2002). Nevertheless, the general public in South Korea, remaining calm, did not regard North Korea's reactivation of its nuclear programme as equivalent to an imminent threat to its national security. Even after North Korea expelled the IAEA inspectors from its nuclear facilities in Yongbyon, many South Koreans did not object to North Korea's possession of nuclear weapons in their belief that Pyongyang would not attack Seoul (*New York Times*, 31 December 2002). They believed that North Korea had a legitimate right to possess nuclear weapons, since it had been threatened by the United States with the same

³¹ However, Japanese Prime Minister Koizumi told reporters on a plane to Mexico, which hosted the APEC summit meeting in October 2002, that Japan would not pursue economic cooperation with North Korea, unless progress was observed on such issues as nuclear weapons and the abduction of Japanese nationals (*Yonhap New Agency*, 26 October 2002).

weapons (ibid). Douglas Shin, a Korean-American human rights advocate, described the underlining perception among South Koreans as follows: 'We [North Korea] are not going to develop nukes to attack you' (*New York Times*, 24 August 2003).

The South Korean newspapers, despite their different editorial policies, uniformly called for a negotiated solution of the incident rather than hard-line steps, such as economic sanctions. Soon after the North's revelation of the nuclear programme, *Chosun Ilbo* (21 October 2002), a South Korean newspaper with a strong anti-Communist editorial policy, even interpreted the incident as North Korea's desire to hold 'the second nuclear talks' with the United States.

As for the possible measures South Korea may use to deal with the issue, an opinion poll, conducted by the *Yonhap News Agency* on 23-4 October 2002, demonstrated that over 85 per cent of the respondents favoured dialogue to resolve the issue, while only 12 per cent called for coercion. In another survey conducted by the Advisory Council on Democratic and Peaceful Unification, 91 per cent of the respondents noted that the nuclear issue should be addressed diplomatically and peacefully and over 60 per cent supported the continued inter-Korean economic cooperation and Hyundai's Mt. Kumgang project (*Yonhap News Agency*, 12 November 2002). The South Korean public was even somewhat ready to face a deterioration in Seoul-Washington relations, in case the Bush administration pushed ahead with hard-line policies against North Korea (*Joongang Ilbo*, 25 October 2002).

After five years of the Kim Dae-jung administration, South Koreans started regarding North Korea 'more like a crazy aunt rather than a strategic threat' to the extent that many people in Seoul asked why the United States was 'bullying' North Korea (*New York Times*, 20 November 2002). South Koreans also felt an intense emotional bond with their North Korean brethren (*New York Times*, 22 November 2002). More than 62 per cent of 1,013 respondents in a Sisa Journal-Media Research survey described President Bush's approach to North Korea as unhelpful in resolving the issue (*New York Times*, 5 December 2002). *The Los Angeles Times* (21 October 2002) reported that South Koreans did not regard North Korea's admittance of another nuclear programme as a 'big deal' and rather expressed dismay over what they alleged as the US's 'hysterical' reaction to the issue.

In sum, both the Kim government and a majority of South Koreans eschewed the use of coercive measures in addressing the North Korean nuclear issue, exhibiting significant identity shifts from a decade earlier. When the first nuclear crisis broke out in 1994, an opinion survey, reported by *Seoul Shinmun* (22 June 1994), noted that 65.7 per cent favoured the use of economic sanctions against North Korea, while only 21.2

per cent said Seoul should stop resorting to coercive means. As for the possibility of a war, 41.1 per cent thought it was possible, while 56.1 per cent thought not (*Hankook Ilbo*, 9 June 1994).

One of the most remarkable expressions of the direction of public opinion was, in fact, the choice of Roh Moo-hyun over Lee Hoi-chang in the presidential election in December 2002. Rhee (2002: 91-2) noted it was a choice between a conservative leader calling for the strengthening of the US-South Korea alliance and a progressive leader aspiring to maintain friendly inter-Korean relations. Therefore, South Koreans' election of Roh Moo-hyun and an increase in US-South Korea divergence over North Korea-related policies heralded a shift in the US-South Korean alliance 'from its existing comprehensive alliance toward a relationship based on selective cooperation' (ibid: 90).

Alliance under Siege. The shift in South Korean identity vis-à-vis North Korea has markedly strained the South's traditional alliance with the United States. Since an alliance is forged when there exists a common enemy (Walt 1987), an inter-Korean rapprochement in the wake of the summit in 2000 decisively diluted South Koreans' animosity towards North Korea, setting the US-South Korea alliance 'adrift' (Kim and Cho 2003: 11-2; Kim S.H. 2003a). On the eve of the fiftieth anniversary of the alliance in 2003, the symptom of 'alliance fatigue' was seen as irreversible, prompting the military leaders of the two countries to agree on a joint study on the future of the alliance and US forces in South Korea during the 34th Security Consultative Meeting on 5 December 2002 in Seoul (*Jooang Ilbo*, 1 January 2003).

The lingering anti-American sentiment, which surged after two schoolgirls were killed by a US armoured vehicle in June 2002, further worsened amid the confrontation between the Kim and Bush administrations on how to deal with North Korea's HEU programme after October 2002. South Korea and the United States exhibited far-reaching differences in their assessment of North Korea's intentions and the appropriate policy prescription. The Seoul government held the view that, as there is no firm evidence that North Korea had already developed nuclear weapons, the international community should step up dialogue with the North in order to persuade it to drop its nuclear programme (Yim Sung-joon, Interview: 2003). Seoul's position was supported by China and Russia. For example, Russian Deputy Foreign Minister Alexander Losyukov, who later became the Russian representative to the six-party talks, contended that the US allegation was questionable, as it was not backed up by concrete evidence (*Yonhap News Agency*, 29 October 2002). Nevertheless, the Bush administration maintained that North Korea, already armed with nuclear weapons, is an enemy state

with which it felt no reason to hold direct dialogue before it scrapped nuclear weapons.³²

The Kim and Bush administrations differed significantly in interpreting the same facts, which led to policy discrepancies between the two (Kim H.J. 2003). In spite of the growing rift between South Korea and the United States, President Kim said: 'We cannot go to war with North Korea, and we can't go back to the cold war system and extreme confrontation' (*New York Times*, 30 December 2002). The schism in the once solid alliance, in fact, stemmed from new ideas espoused by the Kim administration regarding the ROK-US alliance. President Kim's Special Advisor Lim Dong-won (Interview: 2003) noted:

To promote ROK-US relations, we felt the need to demonstrate our ability to launch independent diplomacy and raise our own voice. If we blindly follow US initiatives, we could not foster the sound development of ROK-US relations. We felt the need to actively persuade the United States to adopt joint steps with us.

The immediate outcome of the new South Korean attitude was a strained ROK-US relationship for the sake of the maintenance of friendly inter-Korean ties. As Lim stressed, the Bush government was 'a breed completely different from the Clinton administration'. Hence, the Kim government chose to maintain the process of inter-Korean rapprochement rather than to introduce new coercive measures that could damage hard-won inter-Korean progress.³³ IFANS Professor Kim Sung-han (Interview: 2003), a critic of the Sunshine Policy, summarized the situation as follows:

One of the achievements of President Kim's Sunshine Policy was that North Korea had become dependent on South Korea, making it vulnerable to political and economic pressure from the outside. Conversely, the policy's failure is evident in its desecuritization of inter-Korean relations despite the presence of threats from North Korea. South Koreans have lost security consciousness, while President Kim thwarted the United States from forming

³² In February 2004, CIA Director George Tenet told Congress: 'The intelligence community judged in the mid-1990s that North Korea had produced one, possibly two, nuclear weapons' (*Washington Post*, 28 April 2004). The United States was poised to raise its estimate of the number of nuclear weapons held by North Korea, from 'possibly two' to at least eight after the North's decision in 2003 to restart a nuclear reactor and plutonium-reprocessing facility that had been frozen under the AF in 1994 (*ibid*).

³³ A number of inter-Korean exchanges and a good deal of cooperation took place even after North Korea's admission of its nuclear weapons programme, which will be dealt with later in this chapter.

a united front against North Korea through its traditional three-way policy coordination and marred an early resolution of the issue.

Foster-Carter (2003: 90) called on South Koreans to return to 'cold hard reason, not a cocktail of grudge and sentimental illusions'. Meanwhile, Moon (2003: 33) prescribes an eclectic approach by calling on the two allies to devise 'an optimal choice that can harmonize inter-Korean cooperation with ROK-U.S. cooperation'. Nevertheless, it was not easy for the Kim administration to find a middle way in the face of the US-North Korean confrontation, since it found an increasing convergence of strategies with those of North Korea. In sum, South Korea, once a solid ally, became one of the Bush administration's biggest foreign policy problems (*New York Times*, 1 January 2003). Championing this shift of identities, President Kim's successor, Roh, emerged as an outspoken advocate of Seoul's 'independent stance' and 'equal partnership' between the two allies (Koh 2003: 11).

Until the end of the Kim administration in February 2003, the Bush administration refused to hold bilateral talks with North Korea, even though it cautiously started contemplating the possibility of holding multilateral talks in the face of an absence of any other policy alternative. Robert Gallucci, dean of the school of foreign service at Georgetown University, said that 'the administration has put itself in a very difficult spot, because its philosophical position against negotiations, its embrace of moral clarity, denies them the option of dealing with this issue through negotiations' (*New York Times*, 23 December 2002).

3.1.3. Findings

This section reviewed the shift in South Koreans' identities vis-à-vis North Korea and its implication for the US-South Korea alliance, as well as the Kim administration's ideas of coping with North Korea's nuclear challenges. First, North Korea, suffering from a security dilemma in the absence of any viable means to reconstruct its bankrupt economy, kept its nuclear weapons programmes intact in violation of the 1994 AF, but it was the Bush administration's hard-line policy that made Pyongyang resort again to nuclear brinkmanship in October 2002. Although North Korea's nuclear programmes were in place before President Bush's inauguration, the North Korean government is believed to have accelerated the process after President Bush threatened to change the regime after designating it as a part of the 'axis of evil', along with Iraq and Iran.³⁴

³⁴ The Bush administration is believed to have included North Korea in the list to soften the impression that the United States was on a collision course with the Muslim world (Kim K.N. 2002a: 100;

Second, the two respective South Korean governments, led by Kim Young-sam and Kim Dae-jung, evinced far-reaching differences in their policies towards North Korea, even though they faced almost identical nuclear challenges. Third, the Kim administration's strategies showed convergence with those of North Korea, while exhibiting divergence with the United States, which testified to the identity shift of the South Korean policymaking elite. Fourth, the shift in South Koreans' identities and policies towards North Korea undermined the US-South Korea alliance, which led to an official debate on the restructuring of the bilateral alliance under the present Roh Moo-hyun administration.

In sum, the United States, in contrast to the 1994 crisis, faced a completely different regional context as the controversy over the HEU programme came after North Korea had markedly improved its ties with the South. In this changed environment, the Kim administration endeavoured to carve out a more independent role and raise its voice between the great power, the United States, and its 'problem state', North Korea.

3.2. The Inter-State Level: the status quo

As observed in Chapter Three, a weak state tends to act as a revisionist state in order to challenge the status quo powers with the aim of altering the existing status quo unfavourable to it. Since North Korea's attempt to develop nuclear weapons was a decisive step to revise the status quo, South Korea mobilized all available means unilaterally or jointly with other neighbouring powers to keep its status as a status quo power. The Kim administration adopted such policy tools as deterrence, limited sanctions and political dialogue to resolve the nuclear issue. Nevertheless, the options available were limited since the Bush administration, which identified North Korea as an enemy state, refused to launch bilateral dialogue out of deep scepticism over Pyongyang's brinkmanship. With only four months remaining before the end of his five-year tenure, President Kim did his best to contain North Korea and prevent the escalation of tension, while brokering dialogue between North Korea and the United States to address the fundamental conflict of interests.

3.2.1. Deterrence

Despite the widening gap in strategies and tactics, the Kim and Bush administrations shared common ground in terms of the final goal of their policies: no tolerance of North Korea's possession of nuclear weapons (Koh 2003: 9; Moon 2003: 32). Immediately after the announcement on North Korea's admission of a new nuclear programme,

Washington Post, 19 October 2002).

President Kim revealed through his close aids the principles at the base of dealing with the issue. National Security Advisor Yim Sung-joon made it clear in a press conference that Seoul would not tolerate North Korea's development of nuclear weapons, while interpreting Pyongyang's acknowledgement of a clandestine nuclear programme as its willingness to resolve the issue through dialogue (*Joongang Ilbo*, 17 October 2002).

In view of the magnitude of the issue, the Kim administration highlighted Seoul's close alliance with Washington, regarded as a bedrock of South Korea's security, even though the spirit of the alliance itself was being eroded amid widening discrepancies over the assessment of the problem and the selection of viable strategies. President Kim said at a cabinet meeting: 'South Korea must play a leading role in solving the North's nuclear issue, which is a critical problem for the Korean peninsula.... We must closely cooperate with the United States, Japan and other friendly countries to prevent the situation from further deteriorating into a crisis' (*New York Times*, 27 December 2002).

Meanwhile, the Bush administration was also in a position to mobilize all possible means to prevent North Korea from developing nuclear weapons. First, the United States feared that a nuclear-armed North Korea might ultimately provoke Japan and South Korea to go nuclear as well. Speaking at a parliamentary committee about the North's HEU programme, Japan's Defence Agency chief, Ishiba Shigeru, called for speedier joint research with the United States on missile defence by noting '[w]e should exert efforts to get the program to leave the research phase as soon as possible' (*New York Times*, 10 November 2002). The North Korean nuclear weapons programme touched off regional concerns that Japan was considering building nuclear weapons (*ibid*). Second, the United States believed that cash-strapped North Korea might export its nuclear technology and material to foreign countries. *The New York Times* (29 October 2002) cited a North Korean national, Kim Myong-chol, as saying that his country would respond to US sanctions not just by reactivating the Yongbyon nuclear complex, but also by exporting 'missile and nuclear technology to the highest bidder'. US Deputy Secretary of State Richard Armitage noted that North Korea, in dire need of cash to survive as an independent state, would have sufficient weapons-grade plutonium to sell or trade to 'a nonstate actor or a rogue state' (*New York Times*, 4 February 2003). Armitage confirmed to the Senate that Pakistan, whose research cooperation with North Korea dates back to 1976 when the two signed a protocol on technical cooperation, had helped North Korea to develop its nuclear weapons programme, contending that technology transfers between them had gone 'both ways' (*ibid*).

In the wake of North Korea's admission, South Korea and the United States

strengthened defence preparedness. However, South Korea's measures were almost routine ones, compared to Washington's visible military manoeuvres and verbal threats. In spite of North Korea's confession, the MND did not take any immediate measures to step up defence preparedness. On 20 November 2002, a North Korean patrol boat violated the NLL in the West Sea for 14 minutes but returned to its side in the face of warning artillery shots by a South Korean naval vessel (*Yonhap New Agency*, 20 November 2002). On 27 December, the ministry issued a dossier on defence policy, which contained a contingency plan calling for 690,000 more US troops to be sent to the peninsula in the event of war. The dossier was issued instead of the Defence White Paper which the ministry had not published because of the controversy over whether to classify North Korea as a 'prime enemy', as discussed in Chapter Four. South Korea and the United States announced joint military exercises from 4 March to 2 April 2003 during which 5,000 additional US troops joined 37,000 troops based in South Korea, a step that, along with US threats to impose sanctions, prompted North Korea to issue another warning on 18 February that it might withdraw from the Armistice Agreement, which ended the Korean War (Kim H.N. 2003: 63).

Meanwhile, Secretary of Defence Donald Rumsfeld issued a series of oral warnings, while militarily gearing up for new contingencies. Rumsfeld warned North Korea not to assume that the United States was incapable of confronting it militarily, even though Washington was preparing for a possible war with Iraq (*New York Times*, 23 December 2002). Rumsfeld said that the United States had enough military power to prevail over North Korea even if such a conflict occurred during a war with Iraq (*ibid*). In an apparent response to his US counterpart, North Korean Defence Minister Kim Il-chol threatened 'merciless punishment' to the United States if it pursued a confrontational approach in tackling the issue (*New York Times*, 24 December 2002). In particular, he mentioned the possibility of a nuclear war, which might be caused by US hawks (*ibid*). As heightened warning of a possible attack on North Korea, Rumsfeld put 24 long-range bombers on alert for possible deployment within range of North Korea to give President Bush military options if diplomacy failed to halt North Korea's effort to produce nuclear weapons (*New York Times*, 3 February 2003). He took the action in response to a request for additional forces from Admiral Thomas Fargo, the Pacific commander, who concluded that North Korea's plan to produce nuclear weapons had heightened the risks of war on the Korean Peninsula (*ibid*). Meanwhile, North Korea warned the United States that any decision to send more troops to the region could lead the North to make a pre-emptive attack on American forces. While sending the signal in an unequivocal manner that South Korea and the United States would not tolerate North

Korea's nuclear programmes, Rumsfeld adopted an additional step of deterrence by ordering the aircraft carrier Carl Vinson from the West Coast to Japan to replace the Kitty Hawk carrier battle group, which would head to the Persian Gulf (*New York Times*, 7 February 2003). The swap ensured that the US military presence around the Korean Peninsula would not be reduced even if the United States attacked Iraq, thus maintaining deterrence against North Korea (ibid).

3.2.2. Limited Sanctions

For the Kim administration seeking to engage North Korea through dialogue, the imposition of sanctions was the last thing to consider, especially because North Korea regarded sanctions as a declaration of war. Lee Tae-shik (Interview: 2003) said that the Kim government viewed coercive measures, including sanctions, as a last resort only to be considered after all other available means were exhausted.

South Korea's Decision-Making on HFO Shipments. North Korea's admission of a clandestine nuclear weapons programme led to an intense debate within the Bush administration and between the United States and its allies to decide on a set of countermeasures, especially regarding the shipment of HFO and the construction of two LWRs. Hawks in the Bush and Koizumi administrations called for the suspension of all obligations specified by the AF.³⁵ Their hawkish position sharply contrasted with South Korea's efforts to maintain the AF despite North Korea's admission.

Nevertheless, the controversy caused a schism between a number of ministries in the Kim administration. Some agencies, such as the MOFAT, stressed that South Korea should step up policy coordination with the United States in order to maintain deterrence against North Korea's possible provocative actions, while the MOU stressed the maintenance of the KEDO process and inter-Korean exchanges (Lee Tae-shik, Interview: 2003). When the shipment of HFO to North Korea was a prime topic among KEDO members in November 2002, Unification Minister Jeong called for the continued shipment at least until January 2003, noting that South Korean officials had already put forward this position in the previous TCOG meeting (*Joongang Ilbo*, 14 November 2002). However, MOFAT, which was in favour of the US position calling for an immediate cancellation, dismissed it as his private opinion (*Joongang Ilbo*, 15 November 2002).

³⁵ US Secretary of State Colin Powell also agreed on the notion that the AF was nullified following North Korea's admission, but he was cautious about whether a decision had been made about the suspension of fuel shipments to North Korea.

Although South Korea initially opposed any effort to cut off HFO supplies, strong opposition from the United States, backed up by Japan, resulted in a compromise: 'to allow a shipment now under way to be delivered, but to make clear that it would be the last' (*New York Times*, 14 November 2002). In fact, Seoul's bottom line was to offer HFO until November, because a freighter, carrying 42,500 tons of HFO, a batch for November, had already left for North Korea on 6 November and was set to enter North Korea's territorial waters on 18 November (*Yonhap News Agency*, 12 November 2002). South Korean Foreign Minister Choi Sung-hong won consent on this position from his Japanese counterpart Kawaguchi Yoriko in a meeting in Seoul on 11 November (*ibid*).

Since the Kim government needed to maintain cooperation with Washington, it had no option but to reluctantly agree to a US decision to penalize North Korea for its restart of nuclear activities. As the United States played a leading role in the annual provision of 500,000 tons of heavy oil, South Korea had little voice in this matter.³⁶ However, the action's effectiveness was limited, as Peter Hayes, director of the US-based Nautilus Institute, estimated that US shipments might provide only about 2 per cent of the country's energy demand (*New York Times*, 22 November 2002).

Commenting on the KEDO decision to suspend the shipment of heavy oil, Chong Wa Dae spokeswoman Park Sun-sook told reporters that the decision was the outcome of close consultations among South Korea, the United States, Japan and the European Union (*Joongang Ilbo*, 15 November 2002). Both the ruling and opposition parties also called KEDO's decision 'inevitable' and 'appropriate' steps respectively (*ibid*). While the ruling MDP hoped that North Korea would make a 'wise choice' in the direction of abandoning its nuclear programme, the opposition GNP demanded that the Seoul government suspend the construction of LWRs and form a joint front with the United States and Japan.

Nevertheless, the Kim administration strongly resisted the US pressure to suspend the construction of two LWRs in North Korea, fearing a backlash from the North. *The New York Times* (19 October 2002) reported that the Bush administration decided to scrap the AF, as it was flawed from the beginning, and was set to ask its allies to suspend the construction of LWRs in North Korea, but the report was immediately dismissed as groundless by the South Korean government (*Yonhap News Agency*, 20 October 2002). In fact, the KEDO project was symbolic since it had been the

³⁶ Although KEDO had taken charge of the shipment of heavy oil, the United States paid more than 80 per cent of all expenses for it. KEDO offered 3,520,000 tons of heavy oil, worth US\$497 million, to North Korea from 1994 to October 2002 (*Yonhap News Agency*, 7 November 2002).

only venue or channel through which North Korean officials and workers could maintain routine contacts with those from South Korea, Japan, the United States and other Western countries (Reiss 2002).

US Diplomatic Failure. In parallel with its efforts to suspend HFO provision, the Bush administration envisioned an additional step aimed at forming an international coalition to strengthen sanctions against North Korea. The Bush administration's hard-line stance, however, failed to win support from South Korea, China and Russia. On 25 October 2003, President Bush and Chinese President Jiang Zemin held a summit to publicly pledge to work together to persuade North Korea to abandon its nuclear weapons programme, though they did not mention the divisive question of whether China would take part in Washington's strategy of economically isolating North Korea. It was evident that the United States attached great importance to China's role since it is the biggest supplier of food and energy to North Korea (*Economist*, 26 October 2002).³⁷ Since the North's admission of a nuclear weapons programme, Washington urged South Korea, Japan and China to take joint steps to apply pressure on North Korea, but none of North Korea's three neighbours showed the kind of commitment that the Bush administration had sought. On 26 October 2002, the leaders of the United States, Japan and South Korea issued a joint statement after their summit at the APEC meeting in Mexico, urging North Korea to dismantle its nuclear weapons programme 'in a prompt and verifiable manner', while warning North Korean leader Kim that his relations with the international community hinged on his quick response to the joint appeal (*Yonhap News Agency*, 27 October 2002). The three leaders also agreed that inter-Korean dialogue and Japan-North Korea normalization talks could be viable channels to convey the international community's aspiration for the denuclearization of the Korean Peninsula (*ibid*). Despite the US efforts to form a joint front against North Korea, the statement stopped short of threatening the complete economic isolation of North Korea that the Bush administration had mentioned before. The APEC summit dealt a diplomatic blow to President Bush because he failed to persuade any nation to condemn North Korea or use economic sanctions to coerce it into abandoning its nuclear weapons programme (*New York Times*, 27 October 2002; *Washington Post*, 27 October 2002). Delivering a speech to a meeting of Korean-American residents during his stopover in Seattle after a meeting with President Bush in Mexico, President Kim voiced his strong objection to the use of economic sanctions against North Korea. As the leader of an

³⁷ China is believed to have more leverage than any other state since it provides 70 per cent of North Korea's energy and a third of its food (*Financial Times*, 13 August 2003).

activist government seeking to engage North Korea by all possible means, President Kim did not hesitate to reveal his policy differences with the Bush administration, which was boycotting any dialogue with the North. Kim said: 'Sanctions would likely lead to a repeat of the nuclear crisis in the early 1990's' (*New York Times*, 30 October 2002). He further stressed that if North Korea gave up its nuclear option, the outside world would take conciliatory steps in return (*Yonhap News Agency*, 29 October 2002). Japan also proceeded to resume normalization talks with North Korea in Kuala Lumpur, Malaysia, on 29 October 2002, even though North Korea rejected Japan's demand that it abandon its nuclear weapons programme (*New York Times*, 29 October 2002). On 2 December 2002, Chinese President Jiang Zemin and Russian President Vladimir Putin issued a joint statement in Beijing, calling on North Korea to abandon any attempt to acquire nuclear weapons while urging Washington to honour previous agreements with the North (*New York Times*, 2 December 2002).

In spite of the opposition of North Korea's neighbours, the Bush administration conceived a strategy, called 'tailored containment', under which the UN Security Council could impose economic sanctions and the US military might intercept missile shipments to deprive the North of money from weapon sales, if it failed to abandon its effort to produce nuclear weapons (*New York Times*, 28 December 2002).³⁸ However, the Bush administration's containment policy came under criticism from former US officials and proliferation experts, as South Korea and Japan were unlikely to apply the pressure needed to deal a blow to the North Korean economy, and the policy lacked one vital element: an open channel for direct US diplomatic contact with the North. Robert Einhorn, a senior associate at the Centre for Strategic and International Studies in Washington, who led the non-proliferation negotiations with North Korea during the Clinton administration, said: 'The administration's policy is a gamble that the North Korean regime will collapse before it acquires a substantial nuclear arsenal that threatens the stability of East Asia. It's also a gamble that our relationship with our South Korean ally can survive a lengthy period of isolating and pressuring North Korea. Engaging North Korea has its downsides, but those must be weighed against the risks of not engaging' (*New York Times*, 28 December 2002). The Bush administration further pursued a confrontational path and developed plans for sanctions against North Korea, which would include halting its weapons shipments and cutting off money sent by ethnic Koreans living in Japan, in the event that Pyongyang continued to pursue nuclear

³⁸ As an example of this action, a Spanish naval boat seized a North Korean cargo ship carrying missiles for Yemen on 10 December 2002 in the open sea off Yemen as part of the US efforts to thwart North Korea's exports of weapons.

weapons programmes (*New York Times*, 17 February 2003).³⁹ The report immediately prompted North Korea's military to threaten to abandon its commitment to the 1953 Armistice Agreement if the United States moved to impose sanctions such as a naval blockade.

3.2.3. Political Dialogue

Since the onset of the nuclear problem, President Kim, dismissing both military actions and economic sanctions, stressed the need for a peaceful resolution of the problem through dialogue (*Yonhap News Agency*, 18 October 2002). Kim said that military action could result in a great tragedy, while economic sanctions would give North Korea a rationale for the right to develop nuclear weapons (*New York Times*, 23 October 2003). Compared with President Kim Young-sam's response to North Korea's declaration to leave the NPT in 1993, President Kim Dae-jung reacted to its admittance of a nuclear weapons programme in a starkly different manner in spite of the possibility that North Korea's confession might lead to a military crisis (Suh J.S. 2002). As a specific step, President Kim and his special advisor Lim Dong-won clearly determined that the problem could be resolved only through a 'package deal' in which the North's nuclear weapons programmes could be traded off for US security guarantees (*Joongang Ilbo*, 25 October 2002).

From a broader perspective, South Korea's strategies could be seen as parallel pursuits of inter-Korean dialogue, active diplomacy with the neighbouring states such as China and Russia, and three-way policy coordination with the United States and Japan to create an atmosphere amenable to a negotiated solution of the nuclear problem, rather than focusing on its traditional alliance with the United States. Despite its ideas and rising diplomatic leverage, however, the Kim administration found itself increasingly incapable of inducing North Korea and the United States to launch dialogue on a bilateral basis. Nevertheless, it played a significant role in preventing the problem from escalating into a full-fledged crisis and encouraging China to use its leverage to bring North Korea to the negotiating table.

US-South Korea Disagreement in Approaches and Policies. South Korea and the

³⁹ In June 2003 in Madrid, the United States built an 11-nation coalition, dubbed the Proliferation Security Initiative (PSI) that has the twin objectives of curbing WMD proliferation and stripping North Korea of income from the sale of missiles and drugs (*Financial Times*, 13 August 2003). Among the 11 countries, Spain, Australia and Poland supported the US move; Japan and Britain called for a 'realistic approach'; and France, Germany, Italy, the Netherlands and Portugal took a cautious stance (Kim T.H. 2003b).

United States seriously disagreed over how to deal with North Korean brinkmanship. Douglas Feith, under secretary of defence for policy, said that South Korea and the United States faced fundamental disagreement over how to address North Korea's nuclear weapons programme (*New York Times*, 9 November 2002). While the United States opted for a 'penalty', not a 'reward', for North Korea's behaviour, including the suspension of HFO shipments to North Korea, South Korea called for continued talks to reach a package deal (*ibid*). Nicholas Eberstadt, a Korea expert at the American Enterprise Institute, observed that, in the past, confrontation tactics by the North Korean government had driven the South into the arms of the United States, but 'it hasn't been happening that way in the last few months' (*New York Times*, 23 December 2002).

First, there was a disagreement over whether North Korea really admitted to the existence of a nuclear weapons programme. Upon returning from Pyongyang, the US envoy reported that he had clearly heard from North Korean First Vice Foreign Minister Kang Sok-ju that Pyongyang had been pursuing a nuclear weapons programme. Kelly claimed his recollection of North Korea's position on the nullification of the AF was 'the full fidelity version' of what had been said (*New York Times*, 24 October 2002). Nevertheless, South Korean officials noted the North Korean statements needed to be further studied or reinterpreted as rhetoric rather than regarding them as a bona fide declaration on the North's possession of nuclear weapons. In fact, a series of North Korean statements were rather vague and conflicting over whether it really possessed nuclear weapons programmes or just demonstrated its sovereign right to possess nuclear weapons.⁴⁰ South Korean Unification Minister Jeong, who returned from Pyongyang following the 19-23 October inter-Korean ministerial talks, championed this South Korean position. Minister Jeong noted that the US envoy had mischaracterized North Korea's position when he reported North Korea as having declared the 1994 AF 'nullified', while alleging North Korea did not go that far (*New York Times*, 24 October 2002). Even though Jeong's remarks reflected the mainstream position of the South Korean leadership, South Korean diplomats expressed their understanding over the US reticence in launching direct dialogue with North Korea. South Korean Ambassador to Washington Han Sung-joo (Interview: 2004) noted:

⁴⁰ The North Korean Foreign Ministry said in a statement on 25 October 2002 that North Korea was entitled to possess not only nuclear weapons but also something more potent than them. The statement was echoed by North Korean Ambassador to China Choe Jin-su. On 4 November 2002, however, North Korea started shifting ground with North Korean Ambassador to Germany Pak Hyon-bo dismissing the US allegation regarding North Korea's admission of nuclear weapons programmes as 'groundless'. However, North Korea again escalated tension by declaring, 'We are now armed with nuclear weapons' (*Chosun Ilbo*, 18 November 2002).

North Korea exhibited a tendency of manipulating its dialogue with the United States. In October 2002, it admitted to its HEU programme to the US envoy, but told other countries it didn't. In the three-way meeting, North Korea also told the United States that it possessed nuclear weapons, but said later that it didn't.⁴¹ Therefore, the United States came to regard North Korea as an awkward partner to hold talks with on a bilateral basis since it ran the risk of being fooled again.

Second, South Korea and the United States disagreed in assessing why North Korea admitted to its nuclear weapons programme. As observed in the previous section, South Korean policymakers believed the scenario in which North Korea had resorted to brinkmanship in order to attract US attention and realize its state interests through diplomatic recognition and economic assistance from the United States. In a press conference in Seoul following his trip to Pyongyang, however, Kelly contended that North Korea's admission could not be regarded as the North's intention to resolve the issue through dialogue, dismissing Seoul's position that North Korea voluntarily acknowledged the existence of the nuclear programme to seek a negotiated solution of the issue (*Yonhap News Agency*, 20 October 2002).

Third, South Korea and the United States, based on their different interpretations, differed markedly over how to deal with North Korea. President Kim called for direct US-North Korean dialogue, noting that a new era of US-North Korean relations would open if North Korea gave up its nuclear weapons programme (*Yonhap New Agency*, 22 November 2002). Deputy Foreign Minister Lee Tae-shik made it clear that South Korea would continue to engage North Korea through dialogue by noting: 'Various talks between North and South Korea will keep going on. The government will keep in touch with North Korea, stressing South Korea's stance on the nuclear issue' (*Reuters*, 15 November 2002). In contrast, the United States rejected any possibility of bilateral talks. On 1 November 2002, Under Secretary of State John Bolton ruled out negotiations with North Korea until it 'completely and verifiably' ended the nuclear weapons programme (*New York Times*, 2 November 2002). Citing North Korea's lack of conciliatory steps, the United States even turned down a South Korean proposal that South Korea, Japan and the United States convene a TCOG meeting in December to further discuss North Korea's nuclear weapons programme (*Chosun Ilbo*, 29 November 2002). Given North

⁴¹ During a break of a three-way meeting in Beijing on 23 April 2003, North Korean delegate Ri Gun pulled aside US Assistant Secretary of State James Kelly in a corridor and told him that North Korea had nuclear weapons, even though he denied it in a formal three-way meeting (*Washington Post*, 25 April 2003).

Korea's economic vulnerability, the United States pressed its allies to isolate North Korea as a way to encourage it to give up its nuclear weapons programmes.

North Korea's Flexibility. Sidestepping the US demand that it first dismantle all nuclear facilities before the start of any meaningful dialogue, North Korea made a series of diplomatic overtures towards the United States, claiming that bilateral dialogue was the only way to resolve the issue. The North Korean Foreign Ministry proposed on 25 October 2002 that the North and the United States start negotiations to sign a non-aggression pact, adding that Pyongyang was ready to alleviate US security concerns in return. Pyongyang also offered to suspend its HEU programme in exchange for a non-aggression pact with Washington (Laney and Shaplen 2003). North Korean Ambassador to China Choe Jin-su called for unconditional talks with the United States to solve the nuclear standoff by contending: 'Dialogue is the only way to solve this problem peacefully' (*Yonhap News Agency*, 3 January 2003). Ambassador Han Song-ryol of the North Korean mission to the United Nations, said in a statement, 'Everything will be negotiable.... Our government will resolve all U.S. security concerns through the talks, if your government has a will to end its hostile policy' (*New York Times*, 2 November 2002). The North Korean ambassador also said his country was open to discussion of international inspections of its uranium enrichment facilities (*ibid*). Scott Snyder, representative of the Asia Foundation in Seoul, argued: 'The North Koreans have used their ambassadors to float trial balloons in the past', citing a similar pattern of news conferences held to manage the crisis over North Korea's nuclear programme in 1993-4 (*New York Times*, 3 January 2003).

Divisions among US Policymakers. With North Korea signalling the possibility of dialogue, the policy-making branches of the US administration showed sharp divisions over the choice of policy options. The hawkish members of the Bush administration, who called for the complete isolation of North Korea, faced resistance from the State Department when Secretary of State Colin Powell and other officials argued that it was counterproductive to issue threats of military action and set deadlines for North Korea to meet US demands (*New York Times*, 30 December 2002). The two competing policy-making circles also disagreed over whether the North Korean leader was seeking to force the United States to the negotiating table, or to exploit the growing disagreement between Washington and Seoul over how to handle the issue. Secretary Powell noted: 'This is a country that's in a desperate condition. What are they going to do with another two or three more nuclear weapons when they're starving, when they

have no energy, when they have no economy that's functioning?' (ibid).

Since the inauguration of the Bush administration, the two sides never converged in their approach on how to handle North Korea, thus sending conflicting signals to the North. The administration took 18 months to conduct a review of the Clinton administration's North Korea policy and to work out its own strategy that promised engagement, including eventual security guarantees and normalization of relations with North Korea. In the end, the offer was never made because of North Korea's revelation of its nuclear weapons programme. Until the start of the multilateral talks, the Bush administration maintained a stance of 'hostile neglect' vis-à-vis North Korea amid bureaucratic haggling between and among the White House, the Department of State and the Department of Defence (*New York Times*, 11 January 2003).

Meanwhile, the US Congress was also divided over how to deal with the North. Senator Richard Lugar, a centrist Republican from Indiana, contended that the reopening of talks with North Korea was the best way to defuse tensions, while Arizona's Republican senators, Jon Kyl and John McCain, asked the Bush administration to avoid new negotiations until North Korea eliminated its nuclear weapons programmes first (*New York Times*, 23 December 2002).

South Korea's Independent Approach. The Kim administration employed various channels to address the nuclear problem. In parallel with the three-way policy coordination with the US and Japanese governments, South Korea resorted to direct inter-Korean channels which had become active since the 2000 inter-Korean summit, while sending envoys to China and Russia to urge them to play a bigger role (*Joongang Ilbo*, 17 October 2002).

First, South Korea attempted to resolve the nuclear issue by convening two rounds of ministerial-level talks. Soon after the 16 October announcement on North Korea's admission of a nuclear weapons programme, South Korea entered the eighth ministerial meeting with North Korea in Pyongyang on 20 October as part of its efforts to address the nuclear issue through dialogue aimed at keeping the momentum of inter-Korean rapprochement. After his trip to Pyongyang, Unification Minister Jeong quoted Kim Yong-nam, chairman of the standing committee of the Supreme People's Assembly, as saying that Pyongyang was ready to address security-related issues through dialogue if the United States dropped its hostile policy towards the North (*Joongang Ilbo*, 22 October 2002). In a joint statement, the two Koreas agreed in principle to resolve the nuclear issue through dialogue, but failed to reach specific agreements on how to address the issue in the future. In the ninth ministerial meeting, held in Seoul on 21-24

January 2003, the two Koreas also agreed to step up cooperation to resolve the nuclear issue peacefully. The meeting was convened soon after North Korea declared it would leave the NPT on 10 January 2003, showing off Seoul's determination to engage North Korea through dialogue.

Second, President Kim sent his Special Advisor Lim Dong-won to Pyongyang on 27-9 January as a presidential envoy for last-minute negotiations to resolve the issue, when he determined that the ministerial-level talks had made little headway in addressing the nuclear issue. As illustrated in Chapter Three, a summit or an envoy's dispatch is one of the most effective ways to communicate since it cuts short the ratification process in negotiations. Even though Lim made the visit after North Korea promised to arrange a meeting for him with Chairman Kim, Lim was in fact denied a chance to meet the North Korean leader, who apparently felt no need to talk with the envoy of the outgoing South Korean President. However, Lim launched talks with Kim Yong-nam, chairman of the standing committee of the Supreme People's Assembly, and Workers' Party Secretary Kim Yong-sun, and delivered President Kim's letter to the North Korean leader Kim via Kim Yong-sun. Lim's dispatch was President Kim's last-ditch effort to resolve the issue within his term, but he returned empty-handed. With President Kim stepping down in less than a month, the North Korean leadership decided to adopt a wait-and-see attitude until the new president took office. Basically, the North Korean leadership anticipated a fresh proposal from the Bush administration, but the special envoy did not carry Washington's message and stressed only the South Korean position that North Korea should suspend the development of nuclear weapons, again freeze nuclear activities, and retract its declaration to leave the NPT (*Yonhap News Agency*, 29 January 2002). National Security Advisor Yim Sung-joon (Interview: 2003), a career diplomat who accompanied Lim to Pyongyang as an expert on nuclear issues, noted:

According to the protocol of inter-Korean negotiations, it is not a rule for a diplomat, like me, to be involved. Basically, specialists for inter-Korean dialogue do not like diplomats, like me. For example, [Workers' Party Secretary] Kim Yong-sun asked, 'Why are you here?' I replied, 'As an expert on nuclear issues, I am here to see my counterpart'. In fact, it was President Kim's last attempt to see the resolution of nuclear issues within his term. I wished to meet [North Korea's first vice minister] Kang Sok-ju, but to no avail.

Third, South Korea, in parallel with inter-Korean talks, stepped up diplomatic activities by dispatching Deputy Foreign Minister Lee Tae-shik to Beijing and Vice Foreign Minister Kim Hang-kyung to Moscow to call for their active participation in resolving the issue. Lee and his Chinese counterpart Wang Yi agreed to step up joint efforts to prevent the escalation of tension and resolve the issue peacefully (*Yonhap News Agency*, 2 January 2003). Basically, China shared South Korea's position that the North Korean nuclear issue should be addressed through direct US-North Korea negotiations and the AF should not be abolished in consideration of its role in alleviating tension (*Yonhap News Agency*, 13 November 2002). Deputy Foreign Minister Lee's efforts centred on persuading China to realize the gravity of the nuclear situation and take a more proactive role in preventing North Korea from proceeding further on a confrontational course and inducing it to agree to the resumption of international surveillance of its nuclear programmes. Explaining his mission during his visit to Beijing, Deputy Foreign Minister Lee (Interview: 2003) said:

At that time, China did not realize the seriousness of North Korea's actions. We called on China to step up its role, since North Korea was poised to escalate the crisis possibly by reprocessing spent fuel rods. Our government played a crucial role in persuading China to get actively involved in this issue.

Even though Seoul contributed to the shift of China's position, the United States, in fact, heightened pressure on China to be more proactive, given its position as a major supplier of energy and food to North Korea. On 7 February 2003, President Bush urged President Jiang Zemin in a phone conversation to help defuse the crisis with North Korea, noting Beijing had the responsibility to prevent the North from developing nuclear weapons that could threaten peace and security in Asia. The United States even warned China of 'economic consequences from the US' and a possible security challenge from Japan's decision to arm itself with nuclear weapons (Liu 2003: 359). China's reorientation of its policies and the adoption of coercive steps, such as the three-day suspension of oil shipment to North Korea in March 2003, enabled North Korea to agree on a three-way dialogue with the United States in the presence of China (*New York Times*, 16 April 2003). Beijing's top officials, who had shown their irritation with Pyongyang's nuclear ambitions, formed a leadership group to tackle the North Korean crisis and signalled that it might curtail economic assistance or suspend security guarantees (Gill and Thompson 2003; *Joongang Ilbo* 8 September 2003). The Chinese government also played a pivotal role in organizing the second Beijing talks in August

2003. Stepping up pressure on the Pyongyang regime, President Hu Jintao sent a letter to North Korean Chairman Kim, noting that 'the North Korean brinkmanship regarding nuclear programmes might invite a US military action and China would not fight side by side with North Korea in another armed conflict on the Korean Peninsula' (Shen Dingli, Interview: 2003). With regard to China's potential role on the Korean Peninsula, Lee Jung-hoon, a professor at Yonsei University, said: 'China is looming large as an alternative to the United States', reasserting its historic role as the largest trading partner for South Korea with a two-way trade volume reaching the US\$100 billion mark in 2002 (*New York Times*, 2 January 2003).

Shift in US Policies. The Bush administration's policy, despite its initial reticence, evolved in the direction of opting for dialogue to resolve the issue in the face of strong objections to any coercive measures by South Korea, China and Russia. In a sense, the US administration realized that the refusal of bilateral dialogue and use of verbal attacks against North Korea only exacerbated tension and forced North Korea to take further steps in a tit-for-tat manner. President Bush said in a statement: 'The United States hopes for a different future with North Korea. As I made clear during my visit to South Korea in February, the United States has no intention of invading North Korea. This remains the case today' (*New York Times*, 15 November 2002). From the outset, the Bush administration suffered from a lack of ideas and strategies to deal with North Korea to the extent that it could not specify what might happen if it crossed the nuclear 'red line'. A pre-emptive strike could not become an option since the Bush administration conceded that US intelligence agencies had failed to locate where North Korea had been operating the HEU programme (*New York Times*, 11 February 2003).

Since it had strong reservations regarding bilateral dialogue with North Korea,⁴² the Bush administration started considering the possibility of resolving the issue in a multilateral framework in the presence of the world's major powers. The administration had no interest in negotiating another bilateral agreement with North Korea similar to the 1994 AF, now that it had proven to be unworkable. First, the United States sought to address the issue through international organizations, such as the UN Security Council. A senior US administration official said: 'We want to make it clear that this is now an internationalized problem, not just a problem between the United States and North Korea.... The North Koreans would like nothing better than a dust-up with the United

⁴² One exceptional case was unofficial talks between two North Korean envoys and New Mexico Gov. Bill Richardson for three days from 9 February 2003. Following his talks with Han Song-ryol, deputy ambassador to the United Nations, and his colleague Mun Jong-chol, Gov. Richardson said that the meeting helped ease tensions between North Korea and the United States.

States – that’s the game they’ve played for years. We’re not going to get into that’ (*New York Times*, 28 December 2002). Although some of Secretary Powell’s aides contended that a policy of no communication with the North would lead to further North Korean efforts to escalate the crisis, Vice President Dick Cheney and others asserted that it was useless to renegotiate with a state that reached agreements only to violate them, seeking new concessions through new crises (ibid).

Second, the United States revealed the possibility of holding multilateral dialogue, first on 22 January 2003, when it proposed the involvement of the five permanent members of the UN Security Council, North and South Korea, Japan, Australia and the EU (*Yonhap News Agency*, 20 November 2003). On 28 January, President Bush said in his State of the Union address: ‘Today the North Korean regime is using its nuclear program to incite fear and seek concessions. America and the world will not be blackmailed.’ However, Bush continued to advocate a multilateral approach, involving South Korea, Japan, China and Russia, to find a peaceful solution. Finally, China’s unprecedented use of its diplomatic and economic leverage over the North put an end to the stand-off, opening the way for the three-way and six-way negotiations under the Roh Moo-hyun administration.

3.2.4. Findings

This section highlighted the Kim administration’s endeavour to maintain the fragile status quo on the Korean Peninsula, which could be shattered by North Korea’s adventurism or the US’s pre-emptive strike. Since it renounced the use of coercive actions against North Korea, the Kim administration’s efforts were focused on preventing the United States from taking any action leading to the escalation of tension, while seeking to open dialogue to address the issue in a peaceful manner. First, the Kim administration, risking its traditional alliance with the United States, did not take any punitive steps against North Korea in spite of a series of security problems, while seeking to dissuade Washington from introducing any sanctions against North Korea. Second, it resorted to proactive diplomacy to persuade North Korea’s neighbouring states, especially China, to play a bigger role in resolving the issue. Even though it failed to achieve its goal of direct US-North Korea dialogue, the Kim administration played a role in creating an environment for the start of a multilateral process to address the issue. Third, direct inter-Korean channels achieved no meaningful outcome because the Kim Jong-il regime offered no more than lip service to South Korea through a series of inter-Korean talks and chose to negotiate the security issue only with the United States.

3.3. The Global Level: integration

As observed in the previous section, the Kim administration dismissed coercive measures as unviable and resorted mainly to diplomacy to address North Korea's challenges. For the Kim administration, which as argued earlier had shifted identities, North Korea was a partner for dialogue and economic cooperation rather than an enemy. Therefore, the administration was able to maintain inter-Korean exchange and cooperation even in the face of the looming crisis, another notable side of the Sunshine Policy that helped alleviate tension on the Korean Peninsula and prodded Washington to seek alternatives to coercive actions (Yang and Kim 2002: 82-3).

The Bush administration wanted South Korea to abandon its inter-Korean cooperation projects as a way to exert joint pressure on North Korea. US Undersecretary of Defence Douglas Feith, who visited Seoul on 7 November 2002, called for a strategy linking inter-Korean economic projects with North Korea's attitude over its nuclear programme. Feith noted: 'The challenge that we have is ensuring that the North Koreans do not conclude that business as usual can proceed when they are doing something that first of all is very dangerous, and secondly is a violation of an international agreement' (*AP*, 7 November 2002). However, the Kim government did not heed US pressure and pushed ahead with inter-Korean exchange and cooperation as scheduled, as shown in Table 7.3. President Kim's efforts reflected the urgency of rapidly enmeshing 'North Korea in a web of economic and political contacts' to tie it down (Mazzar 1995: 239). Right after North Korea's revelation of a clandestine nuclear programme, an 18-member North Korean economic delegation, led by Pak Nam-gi, chairman of the State Planning Commission, and Jang Song-taek, Chairman Kim's brother-in-law and right-hand man, visited South Korea from 26 October to 3 November. This visit marked the second of its kind since the first North Korean economic delegation, led by Deputy Premier Kim Dal-hyon, visited South Korea in 1992.

Table 7.3 Inter-Korean Exchanges after North Korea's Confession

Date	Events
8 Oct. 2002	A South Korean delegation arrives in Pyongyang for a preview of the silent film 'Arirang'
13 Oct. 2002	North Korean female marathoner Ham Pong-sil wins a gold medal at the 14 th Pusan Asian Games
14 Oct. 2002	The second round of inter-Korean working-level talks for the inter-Korean connection of railways and roads closes on Mt. Kumgang after a three-day run
14 Oct. 2002	A meeting of students from South and North Korea and abroad for reunification and the implementation of the 15 June South-North Joint Declaration closes on Mt. Kumgang after a two-day run
15 Oct. 2002	The North Korean team to the 14 th Asian Games held in Pusan, South Korea, during Sept. 29-Oct. 14 returns home
17 Oct. 2002	A two-day meeting of women representatives from South and North Korea for the implementation of the 15 June Joint Declaration and peace on the Korean Peninsula closes on Mt. Kumgang
17 Oct. 2002	The 21 st Yunisang Cocert closes in Pyongyang after a three-day run
18 Oct. 2002	A ceremony is held to mark the completion of the construction of a waterway linking the South Korean city of Kwachon with Lake Thaesong, a project launched in November 1999
22 Oct. 2002	The eighth round of inter-Korean minister-level meeting closes in Pyongyang after a four-day run
26 Oct. 2002	A North Korean economic study team, led by Pak Nam-gi, chairman of the State Planning Commission, leaves Pyongyang to visit South Korea
26 Oct. 2002	The North Korean taekwondo team returns home, wrapping up its four-day visit to Seoul
30 Oct. 2002	A group of South Korean officials arrives in Pyongyang to discuss the issues of building an industrial complex in Kaesong and preventing floods in the lower part of Imjin River
31 Oct. 2002	The fifth session of inter-Korean Red Cross Talks opens on Mt. Kumgang for a three-day run
6 Nov. 2002	The South Korean delegation to the third inter-Korean talks of the Committee for the Promotion of Economic Cooperation arrives in Pyongyang for a four-day run

- 20 Nov. 2002** Working-level officials from the two Koreas end their three-day meeting on Mt. Kumgang on the connection of railways and roads and the passage of commercial vessels through each other's territorial waters
- 8 Dec. 2002** Inter-Korean working-level talks on the construction of the Kaesong industrial complex close on Mt. Kumgang after a three-day run
- 10 Dec. 2002** A North Korean delegation leaves Pyongyang to participate in the first law-making panel meeting for inter-Korean economic cooperation in Seoul
- 17 Dec. 2002** The second inter-Korean Red Cross working-level contacts close on Mt. Kumgang after a three-day run
- 17 Dec. 2002** The third working-level panel meeting for the reconnection of railways and roads closes on Mt. Kumgang after a three-day run
- 26 Dec. 2002** North Korea proposes to South Korea holding a joint symposium to change the two Koreas' official names from 'Korea' to 'Corea' in a joint symposium of the Linguistic Institute and History Institute held in Pyongyang
- 14 Jan. 2003** Chung Mong-hun, chairman of the Hyundai Asan, arrives in Pyongyang
- 22 Jan. 2003** South Korean officials arrive in Pyongyang for a meeting with their North Korean counterparts to deal with the question of linking the railways and roads of the two Koreas
- 22 Jan. 2003** Working-level Red Cross officials from the two Koreas end their three-day meeting on Mt. Kumgang after reaching agreements on another round of family reunions and the construction of a permanent meeting place for them at the Mt. Kumgang resort
- 24 Jan. 2003** The ninth round of inter-Korean minister-level meeting closes in Seoul after a four-day run
- 25 Jan. 2003** The second round of inter-Korean working-level meeting for the reconnection of inter-Korean railways and roads closes in Pyongyang after a four-day run
- 26 Jan. 2003** North and South Korea exchange the lists of 200 members of separated families at Panmunjom
- 27 Jan. 2003** North and South Korea conclude a tentative agreement on cross-border passage through temporary roads in the eastern and western coastal areas at Panmunjom
- 29 Jan. 2003** Lim Dong-won, special envoy of President Kim, leaves Pyongyang
- 5 Feb. 2003** More than 100 South Koreans embark on their first trip to Mt. Kumgang

through a land route

- 9 Feb. 2003** The two Koreas exchange data on the whereabouts of 200 individuals from each side for the sixth reunion of separated families, slated for 20 February, at Panmunjom
- 11 Feb. 2003** A 106-member South Korean civilian delegation leaves Pyongyang, winding up its four-day visit to North Korea
- 14 Feb. 2000** Jang Jae-on, head of the North Korean Red Cross society, sends a telephone message to his South Korean counterpart Suh Young-hoon that North Korea will allow South Koreans to pass through an overland route for family reunion
- 14 Feb. 2003** The fourth round of the inter-Korean Economic Cooperation Promotion Committee meeting closes in Seoul with no tangible results after a four-day run
- 20 Feb. 2003** The sixth round of family reunions opens on Mt. Kumgang
- 20 Feb. 2003** An inter-Korean joint exhibition of data on the crimes committed by the Japanese colonialists' forceful conscription of Koreans closes in Pyongyang after a two-day run
- 21 Feb. 2003** An overland trip to Kaesong is made by South Koreans including Hyundai chairman Chung
- 22 Feb. 2003** A delegation from South Korea, led by president Kang Man-gil of Sangji University, which participated in an inter-Korean joint exhibition held in Pyongyang during 19-20 February, visits the Tangun Mausoleum in Pyongyang
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Source: compiled from *Vintage Point* 25 (11); 25 (12); 26 (1); 26 (2); 26 (3).

3.3.1. Humanitarian Aid

In spite of the crisis, South Korea kept providing humanitarian aid to North Korea with the hope that these activities would help resolve the problem in a peaceful manner. In addition to large-scale humanitarian aid via WFP, the South Korean government agreed to offer 400,000 tons of rice on loan to North Korea in an inter-Korean economic cooperation meeting on 30 August 2002. The terms of the loan were decided upon favourably to the North Korean side with, for example, an interest rate as low as 1 per cent. The food loan was designed to deepen inter-Korean interdependence and build trust for the formation of a pan-Korean economic community (MOU 2003). The shipments kicked off on 19 September and continued through mid-January 2003 despite

North Korea's admission to a clandestine nuclear programme in October (ibid). It was the second provision of grain in the form of a loan since South Korea offered 300,000 tons of Thai rice and 200,000 tons of Chinese maize after North Korea requested the food loan in the second ministerial meeting, held in August 2000. In a sign of flexibility, North Korea allowed South Korea to mark 'Republic of Korea' on the bags of rice. In the second provision in 2002, the origin of the rice was further clarified with the two Koreas agreeing to write *Taehanminguk* (Republic of Korea) in Korean on the bags, thus informing North Koreans of the origin of the large-scale shipment.

Meanwhile, the US position on food assistance was inconsistent, with North Korea escalating tension in a series of new steps. Originally, State Department spokesman Richard Boucher told the press on 17 October 2002 that the United States would continue to provide humanitarian aid to North Korea despite the admission of a nuclear programme, since Washington felt the need to help the starving North Koreans. However, the United States decided to suspend its food assistance in the wake of KEDO's suspension of the shipment of HFO to North Korea on 14 November 2002. The decision was part of the Bush administration's new strategy of 'tailored containment', a plan to step up political and financial pressure on North Korea that could eventually confront the state with the prospect of economic collapse, as long as it pursued nuclear weapons programmes (*New York Times*, 28 December 2002). In the wake of the re-emergence of the controversy over North Korea's nuclear programme, the WFP faced dwindling pledges for food assistance to North Korea despite its international appeals. In a press conference following his meeting with President Roh in Seoul on 25 February 2003, however, Secretary of State Powell said that the United States would resume humanitarian aid to North Korea, with a plan to offer 100,000 tons of grain to North Korea in 2003, a step designed to alleviate criticism that the United States had been using humanitarian issues for political purposes (*Yonhap News Agency*, 25 February 2003).

3.3.2. Infrastructure

As already observed in Chapter Six, the Kim government made all-out efforts to maintain the Mt. Kumgang tourism project against all domestic and international hurdles. In spite of the escalating tension, the Kim government pressed on with a series of economic cooperation projects with North Korea, especially the connection of inter-

Korean railways.⁴³ In an interview with *Chosun Ilbo* (1 January 2003), Selig Harrison called on South Korea to snub US objections and to maintain consistency in seeking cooperation projects with North Korea to achieve its own national interests. As the United States could not afford to lose its traditional ally, South Korea, it would eventually change its attitude in case South Korea stepped up diplomatic efforts to induce a peaceful solution to the problem (ibid). In fact, the Kim government faced US interference in its efforts to link inter-Korean railways after North Korea's admission to developing nuclear weapons, but managed to overcome it in close consultations with North Korea.

On 18 September 2002, the two Koreas organized separate ground-breaking ceremonies for the connection of the railways and highways with the Prime Ministers of the two Koreas attending.⁴⁴ The ceremonies came one day after the military authorities of the two Koreas signed letters to guarantee smooth construction work in the DMZ, including the removal of landmines. Despite North Korea's revelation of a nuclear weapons programme, North Korean soldiers engaged in work in the DMZ to clear landmines for the future connection of inter-Korean railways and highways, according to the MND (*Yonhap News Agency*, 21 October 2002). On 9 November 2002, the South Korean government announced new agreements with North Korea on cross-border cooperation, while officials from South Korea, Japan and the United States were negotiating whether to suspend the shipment of HFO to North Korea, which had been underway as part of the 1994 AF. President Kim said: 'Inter-Korean relations are on a path toward reconciliation and peace, even though they are affected by turns and twists' (*New York Times*, 9 November 2002).

Nevertheless, the United States, seeking to isolate North Korea, erected hurdles against joint inter-Korean efforts to clear landmines prior to the connection of the inter-Korean railways. The US-headed UNC, citing the Armistice Agreement, called for the

⁴³ Russia devoted much diplomatic energy to encouraging North Korea to move quickly to link the inter-Korean railways, as it could get huge transportation fees in case South Korean freight traffic could travel along the TSR.

⁴⁴ Even though the railway connection was agreed upon in principle in the first inter-Korean ministerial meeting in July 2000, the two Koreas engaged in a rather tedious, on-and-off process of construction works in the DMZ and other sections of the Seoul-Shinuiju line on the western side of the peninsula and the Tonghae line on the eastern side. In December 2001, South Korea completed the construction work in a 10.2-km section from the Munsan Station to the Torasan Station in the vicinity of DMZ and President Bush toured the Torasan Station during his visit to South Korea on 20 February 2002 to demonstrate the significance of the railway connection for the peace process on the Korean Peninsula. As the construction works made little headway, presidential envoy Lim Dong-won visited North Korea in April 2002 to reach an agreement to expedite the construction works. In the following inter-Korean economic cooperation meeting, the two Koreas agreed to link the Seoul-Shinuiju railway until the end of 2002 and the Tonghae line until September 2003. In particular, they agreed to open a temporary road in November 2002 to realize overland travel to Mt. Kumgang.

prior notification of border crossings by North and South Korean military officers to monitor the landmine clearing works, while North Korea, citing an inter-Korean agreement between the military authorities, insisted that it would not seek to secure a UNC endorsement (*Yonhap News Agency*, 13 November 2002). Despite the US interference, North and South Korea convened Red Cross and government-level talks simultaneously at the North's Mt. Kumgang resort on 15 November 2002 to discuss the establishment of a permanent meeting place for separated families, the de-mining works for the connection of inter-Korean railways and roads, and other issues of mutual concern (*Yonhap New Agency*, 15 December 2002). As the UNC hampered the smooth progress of the monitoring of the de-mining works, North Korea showed a conciliatory step towards the South by proposing that the two sides embark on mine-clearing without launching monitoring works, thus skipping the process of securing an endorsement from the UNC (*Yonhap News Agency*, 27 November 2002). In this unusual convergence of interests, the two Koreas completed the de-mining works in the Tonghae line section and in the Seoul-Shinuiju line section on 3 December and 6 December, respectively. Following further delays in the construction works, the two Koreas finally held a ceremony to link the inter-Korean railways on 14 June 2003, even though a substantial amount of construction work and procedural work was still required for the actual operation of trains. However, the low-profile, but symbolic ceremony held in the DMZ marked the connection of inter-Korean railways after more than 50 years of national division.

Meanwhile, the local government of Kyonggi Province bordering North Korea announced that it was seriously considering building four highways linking Seoul to the province's northern cities, which would become the new gateway to the Kaesong industrial complex (*Yonhap News Agency*, 3 January 2003). Since the northern Kyonggi areas bordered North Korea, they were largely underdeveloped without any highways linking them to the capital city. The provincial office also announced a plan to build a new border town in Paju, which would be the transit point of inter-Korean traffic in the future.

3.3.3. Findings

As an activist government seeking to achieve inter-Korean economic integration, the Kim government did not abandon inter-Korean exchange and cooperation in spite of the pressure from the United States. First, the Kim administration continued to offer humanitarian aid to North Korea, a step conducive to future dialogue. Second, the Kim administration pressed ahead with de-mining work in the DMZ to link inter-Korean

railways and roads in spite of the US-led UNC's interference in the inter-Korean cooperation project. Third, the Kim administration could maintain inter-Korean exchange and cooperation despite North Korea's reactivation of nuclear programmes. Fourth, North Korea also showed a willingness to cooperate with South Korea to maintain inter-Korean relations, even though it maintained a hostile attitude towards the United States.

4. Conclusion

This chapter tested this thesis's proposal of three-level comprehensive engagement against North Korea's nuclear challenges. As already shown in Chapter Six, the three levels – identity shifts, the status quo and integration – worked in a dialectic manner to prevent the escalation of tension and maintain inter-Korean exchange and cooperation, a mechanism which helps capture the complex totality of President Kim's Sunshine Policy.

Seoul's approach, heavily biased toward a negotiated solution of the crisis, created an unsettling development: a sharp division between South Korea and the United States over how to deal with North Korea. Critics attacked the Kim administration's efforts for fostering 'romantic nationalism' and misleading South Koreans to the belief that North and South Korea could resolve the Korean Peninsula issue on a bilateral basis without dependence on outside forces (Kim S.H. 2003a). Since a conventional approach, based on a tit-for-tat formula, might have plunged the peninsula again into the spectre of a deadly conflict, as seen in the 1994 nuclear crisis, the Kim administration did not heed the critics' comments and chose to accelerate the process of engaging North Korea. As a result of these efforts, the Kim administration could maintain inter-Korean channels of dialogue and achieve progress in major inter-Korean projects ranging from the connection of railways and highways to the construction of an industrial park. The rudimentary efforts by the Kim administration were followed by the Roh Moo-hyun government, which had repeatedly vowed to succeed President Kim's Sunshine Policy.

Chapter Eight. Conclusion

1. Introduction

This dissertation proposed a framework of comprehensive engagement and tested it against the major events in North-South relations during President Kim's five-year tenure. It set out by critically reviewing theories and cases of containment and engagement and adopting and defending the concept of comprehensive engagement, especially when the international community deals with a marginalized state, like North Korea. Chapter One introduced this dissertation's research questions and hypotheses as a preparatory step to embarking on a long, arduous journey into the murky world of empirical reality, which is hard to reduce or harness to the requirements of theoretical parsimony. Drawing upon a wide range of literature on strategies of containment and engagement, Chapter Two summarized the US Cold War strategies of containment and their post-Cold War variants in search of a theoretical framework to be applied to the Sunshine Policy. On the basis of the literature review's findings, Chapter Three formulated a theoretical framework that was able to shed light on the diverse levels of the Sunshine Policy, as well as to capture it as a whole. It used both historical and theoretical approaches to locate the Sunshine Policy somewhere on the enmity-friendship continuum in bilateral relations between the two Koreas and to identify tools to implement comprehensive engagement. Chapter Four tested the identity norm life cycle, formulated in Chapter Three, against the vicissitudes of the policies and practices of successive South Korean presidents during and after the Cold War, as well as those of the general public's perception vis-à-vis North Korea. This historical overview provided the basis for identifying the roots of the Sunshine Policy and the means to understand how the fragile, suppressed nationalist movements, initiated by dissidents and students, emerged against the cultural hegemony of the dominant identity groups and came into full blossom through President Kim's strenuous entrepreneurship to propagate new norms of more contacts, more dialogue and more cooperation with North Korea.

Armed with this theoretical framework and a sense of the appropriateness of this approach to the task in hand, Chapter Five embarked on a case study of the consequences of President Kim's comprehensive engagement policy on North Korea's external relations with the world's major powers. In this chapter, we witnessed both the strengths and weaknesses of President Kim's engagement policy, when it was applied to the real world where structural constraints and competing norms intersect. Chapter Six

discussed the most dramatic moments of the Sunshine Policy, illustrated by the inauguration of the tourism project into the world's most isolated state, deadly naval skirmishes and the inter-Korean summit. These incidents provided the opportunity to fully test the three-level comprehensive engagement approach. Chapter Seven investigated one of the most serious challenges to the Sunshine Policy, North Korea's programme to develop nuclear weapons. Despite some setbacks resulting from structural constraints, this chapter demonstrated that President Kim's comprehensive engagement and South Koreans' shift in identities based on the changed social setting of the post-Cold War world remained robust, offering further vindication to this dissertation's theoretical framework. This Conclusion will first review the legacies of the Sunshine Policy and then revisit this dissertation's three hypotheses to draw a number of conclusions on whether or not they were valid. It will proceed to identify this study's contributions to theory and practice in the discipline of IR. The chapter will end by pinpointing this dissertation's limitations and proposing areas for further research.

2. The Legacies of the Sunshine Policy

Franklin D. Roosevelt said of his partnership with Stalin in order to defeat Germany and Japan during World War II: 'My children, it is permitted of you in time of grave danger to walk with the devil until you have crossed the bridge' (Quoted in Gaddis 1982: 3). For President Kim, North Korea was more than a questionable partner to work with, but there was no other partner to work with to end the vicious spiral of enmity and confrontations, which had persisted for five decades. Former Israeli Prime Minister Itzhak Rabin said: 'You only make peace with enemies, not with friends'.¹

As demonstrated in each case study, the Sunshine Policy resulted in a significant shift in South Koreans' identities vis-à-vis North Korea, which in turn made it possible for the two Koreas to expand their exchange and cooperation in all walks of life. Nevertheless, the policy achieved only a disputable success in some policy areas, such as North Korea's dismantling of WMD programmes and resocialization with the international community. Furthermore, South Koreans' positive identification with North Korea could not reach the mature stage of norm internalization despite the strenuous norm entrepreneurship of the Kim administration. Therefore, South Koreans' new identities vis-à-vis North Korea were still politically and socially contested in the public sphere of South Korean society.

¹ Rabin used this phrase many times. Visit the website, <http://clinton4.nara.gov/textonly/WH/New/html/19971121-3796.html> (accessed 15 March 2004) or <http://www.manfredlehmann.com/sieg414.html> (accessed 15 March 2004).

After five years of President Kim's pioneering, but experimental implementation of the Sunshine Policy, however, observers and analysts are now in a better position to analyze the achievements and shortcomings of the Sunshine Policy. This thesis summarized the achievements of the Sunshine Policy in three categories: identity shifts, the status quo and integration. It is worth revisiting in greater detail the controversies surrounding the Sunshine Policy. First, there has been a dispute over whether the Sunshine Policy was strategically and tactically viable. From the perspectives of a strategy, the policy sought to change North Korea's behaviour and policies falling short of international norms, but there is still an endless debate over whether the North Korean government has really changed. The policy has been also under criticism for possessing strategic limitations because there existed no fallback strategy in case the policy did not work as envisioned. Tactically, there has been a time lag and the lack of reciprocity in dyadic exchanges between the two Koreas, which has been the main target of criticism from the policy's opponents. The use of bribes as a tactic was also the object of debate between the groups with competing identities vis-à-vis North Korea. The 'transparency' issue was raised at the end of President Kim's five-year term in connection with Hyundai's remittances of US\$450 million to North Korea shortly before the historic summit, which damaged the morality of the Kim administration and its policy means. However, the absence of fallback strategies was not entirely the weakness of the policy, because the administration's renouncement of coercive actions helped build inter-Korean trust.

Second, President Kim and his advisors were criticized for attempting to indoctrinate the public with their ideas and interpretations without undergoing an appropriate process of sampling public opinion and promoting a public consensus on their initiatives. Therefore, they stopped short of offering a real picture of North Korea to the public and neglected to raise such issues as human rights, which could provoke North Korea (Kim Y.S. 2003). Jeong Se-hyun (Interview: 2003), who served as unification minister under both the Kim and Roh administrations, acknowledged the criticism as follows:

I think the previous administration [the Kim Dae-jung administration] lacked in efforts to offer full-scale explanations on the government's policies to the public partly because of the presence of a group of people who dwelled in the Cold War template as the prisoners of the past. Since they were driven out of the mainstream policy-making process, they expressed their grievances by criticizing the policy. On top of that, the Kim administration had a generic

weakness as a minority government, which cannot enjoy support from Yongnam Province, the stronghold of the Grand National Party. ... With the determination that its approach is theoretically right and with the self-righteousness that the public will follow if the causes are legitimate, the previous [Kim Dae-jung] government pushed ahead with its policy in a single-hearted manner without bothering itself with explaining each facet of the policy to the public.

Third, the policy failed to win whole-hearted support from both the US and Japanese administrations. Despite President Kim's request that North Korea be dropped from the US terrorism list, the Clinton administration was intransigent in the face of Japan's objection. As the United States paid more attention to Japan's concerns over the abduction issue than South Korea, as demonstrated during Secretary Albright's visit to North Korea, Japan found it safer to indulge in the US-led trilateral framework than to jump aboard an uncertain South Korean approach to reach out to the unpredictable regime (Nakanishi 2001: 75). Eventually, the two countries declined to accept President Kim's request to normalize relations with North Korea. The Sunshine Policy was also projected by some critics as posing security risks to South Korea as it generated friction with the United States, which might lead to the withdrawal of US troops and the erosion of the trilateral coordination framework.

Fourth, there is also a debate over whether the South Korean economy, particularly Hyundai, suffered from the burden of assisting North Korea and whether the assistance could be vindicated as part of the costs of unification. Some saw that Hyundai's investment projects in North Korea, which had been underway without any immediate profit, sapped its financial resources and spurred the decline of the business group,² while others argued that it was inevitable regardless of its North Korea projects, since the group failed to find any new markets after the downturn of the construction market worldwide.

After reflecting upon the Sunshine Policy's achievements and problems, the Roh government introduced a new North Korea policy under the name of the 'Peace and Prosperity Policy'. First, President Roh declared repeatedly that his administration would continue the Sunshine Policy, but stressed the need for public consensus and

² Hyundai Group, which was the largest business group in South Korea in 1998, disintegrated into several entities with Hyundai Motors ranked fourth and Hyundai Heavy Industries tenth among the largest business groups in 2003, according to *Money Today* (http://www.moneytoday.co.kr/real_index.html, accessed 25 March 2004).

transparency. Given its political support base and key policymakers,³ the Roh administration was destined to launch a more aggressive engagement policy than the Kim administration. However, the North Korean nuclear issue, as well as the incoming administration's attempt to distance itself from the previous administration, which had been under criticism for maintaining secrecy in the policy-making process and deceiving the public, prevented it from launching any bold initiatives from the outset.

Second, the Roh government inherited President Kim's ideas of both the 'parallel approach' and the 'trade-off scenario' in resolving the North Korean nuclear issue. The parallel approach was maintained in 2003 with inter-Korean economic cooperation in progress in parallel with multilateral efforts to resolve the nuclear issue.⁴ President Roh's foreign policy advisor Ban Ki-moon (Interview: 2003), who later became foreign minister, said that the Roh administration was facing 'double challenges', since it should foster inter-Korean relations while attempting to resolve the North Korean nuclear issue in a peaceful manner with the eventual goal of creating a peace regime on the Korean Peninsula. The Roh administration showed flexibility when it gave up its central role in resolving the Korean Peninsula issues by allowing the United States and China to enter into three-way talks with North Korea to address the nuclear issue. Nevertheless, it maintained inter-Korean cooperation projects ranging from the connection of railways and roads, the Mt. Kumgang project, and the construction of an industrial complex. Facing the process of inter-Korean rapprochement, the Bush administration said it would not stop other countries from making economic or diplomatic rewards to North Korea to abandon its nuclear weapons programme, even though it would not do so (*New York Times*, 22 August 2003). President Roh was also an advocate of a 'trade-off scenario' in which he pledged large-scale economic assistance in return for North Korea's termination of its nuclear weapons programmes (*New York Times*, 20 August 2003). The Roh administration was adamant on the option of a peaceful resolution of the nuclear issue as part of its efforts to maintain the status quo, thus opening up policy discrepancy with the Bush administration. As the Roh government opposed any coercive options, siding with like-minded states, such as China, the Bush administration suffered from forming a joint

³ Observing the triumph of presidential candidate Roh Moo-hyun from President Kim's Millennium Democratic Party in the 2002 presidential election, a lawmaker from the opposition GNP claimed that *jusapa* (a faction following North Korea's *juche* ideology) had taken over the transition committee following President Kim's five-year tenure, dominated by the leftist forces (Han 2003). In fact, Roh filled a few key posts of the NSC and NIS with figures who were student activists in the 1980s or experts supporting an engagement option.

⁴ The three-way talks in April 2003 were enlarged into the six-party meeting in August, which involved the two Koreas, the United States, Japan, China and Russia.

front to introduce hard-line measures against North Korea's successive steps to extract weapons-grade plutonium. Therefore, the Bush administration had no option but to swing from 'hostile neglect' to a multilateral approach, combined with tactics of pressure, such as the Proliferation Security Initiative (Paik J.H. 2003).

Third, President Roh sought to strengthen the US-South Korea alliance, but found it hard to achieve this goal because of their conflicting strategies in dealing with the nuclear issue and the presence of anti-Americanism in South Korea. The Roh administration first dispatched medical and engineering units to Iraq to aid the US-led war and then agreed to send 3,000 troops to help stabilize the war-torn country as part of the efforts to strengthen bilateral alliance. In fact, the Roh government wanted Washington to recognize Seoul's interests and policies in handling the North Korean nuclear issue in return for its dispatch of military forces. Addressing the National Assembly on 2 April 2003, President Roh noted that it was crucial to assist the United States in difficult times, because strengthened bilateral ties would help address the North Korean issue peacefully later (Paik H.S. 2003: 16). However, the decision backlashed domestically since President Roh had not only seen the erosion of his base of political support, critical of the troop dispatch, but also the worsening standoff between those supporting inter-Korean cooperation and those upholding the US-South Korea alliance (ibid).

Fourth, the Roh government continued to provide a fertile ground for South Korean's identity shifts vis-à-vis North Korea in spite of the North Korean nuclear issue. In another major event following the Asian Games in Pusan in 2002, the World Student Games, held in Taegu in August 2003, attracted about 500 North Korean athletes, cheerleaders and journalists. North Korea, which earlier boycotted the event after South Korean right-wing protestors burned a North Korean flag, decided to send them after President Roh apologized for the incident.

For President Roh, the most memorable thing among the many events that occurred during President Kim's five-year tenure was the inter-Korean summit. He said in a speech to a photo exhibition (*Yonhap News Agency*, 29 January 2004):

The photograph that lingers in my memory is that of President Kim Dae-jung and Chairman Kim Jong-il shaking hands and hugging. The single photo was a message of hope, which could alleviate many people's concerns and made them march towards peace. Even though some people were still calculating the costs [of the summit], the photo has an enormous value that cannot be calculated in monetary terms.

3. The Validity of the Three Hypotheses

This dissertation set out three hypotheses regarding identity shifts, the status quo and integration, as outlined in Chapter One. These three questions have guided this dissertation in its aim of explaining the diverse levels of the Sunshine Policy and their dialectic mechanisms. Most of all, this study subjected these hypotheses to rigorous testing in each chapter and reached the conclusion that they had been vindicated in view of the evolving inter-Korean relationship.

Identity Shifts. Among the main propositions of this dissertation, identity shifts assumed the prime place in explaining President Kim's policies, which contrasts starkly with those of previous South Korean governments. Based on an analysis of President Kim's policies and the outcome of opinion surveys, this dissertation tested the hypothesis that an activist government is able to create a fertile environment for a shift of identities through promoting new identity norms. Since the inauguration of President Kim, South Koreans' positive identification with North Korea has become evident to the extent that the public has almost lost the perception of threats emanating from North Korea and the mainstream South Korean policy community underwent far-reaching generational shifts from hard-liners to advocates of engagement. In the past, for example, street rallies and demonstrations by students and dissidents caused problems for authoritarian South Korean governments, but the situation drastically changed after the Kim administration with demonstrations by rightist groups showing a surge under the Roh administration.⁵ These demonstrations testify to the rising frustration among some conservative pockets of civil society, as their opinions, based on negative identification with North Korea, were not reflected in the policy-making process. This phenomenon justifies the claim that '[e]very exclusive identity-based polity necessarily generates a minority' (Kaldor 2002: 78).

The Status Quo and Integration. Reconciling the twin ideas of the status quo and integration was not an easy job, but these propositions proved crucial in testing the goals against realities. From the outset, the Kim administration needed to provide the North Korean elites with some form of assurance regarding regime survival, while opening up the way for economic assistance and investment to prevent its collapse and

⁵ As seen during the 2003 World University Games in Taegu where North Korea sent a large delegation with a group of female cheerleaders, rightist groups launched protest rallies, drawing concern from the organizers.

help it to rebuild its bankrupt economy with the eventual aim of creating an inter-Korean economic community. The previous Kim Young-sam government swayed between coercive actions and conciliatory steps, thus bringing about a policy quagmire. In contrast, the Kim Dae-jung government attempted to help North Korea to achieve a soft landing, thus maintaining the status quo on the Korean Peninsula through political coexistence and economic integration.

4. Contributions for International Relations Scholarship

This dissertation formulated a framework of comprehensive engagement building on a wide array of IR literature and case studies. By identifying continuities and discontinuities in policy options between the Sunshine Policy and the other strategies of containment and engagement, this dissertation sought to analyze, categorize and refine strategies of engagement. The overall aim of this research was to refine constructivism in theory and practice.

Contributions to Theory. IR is rich in terms of the amount of literature on diverse features of international life. The works of theorists in this field, however, deal with similar subjects, war and peace, or conflicts and cooperation, but come up with diametrically opposed positions and interpretations.⁶ In spite of the abundance in terms of quantity, IR theories suffer from poverty mainly because of their incommensurability (Wight 1996). Realism witnessed its heyday for half a century between 1939 and 1989, a period marked by World War II, the Cold War and localized conflicts. Nevertheless, realism has somewhat lost its predictive and descriptive power with the end of the Cold War and the Soviet Union's voluntary retreat from its Cold War status (Kegley 1995: 7). As part of efforts to overcome the discipline's polarization and incommensurability, the neo-realists and neo-liberals formed the so-called 'neo-neo partnership',⁷ but fell short of formulating a grand theory, which can be called a paradigm.

⁶ Contemplating European integration, some theorists see it as the initial sign for the advent of a new world of close interdependence (Keohane 1993), while others interpret it as the dawn of another form of crisis, which might accompany nuclear proliferation and risks of war (Mearsheimer 1994/5).

⁷ According to Grieco (1995: 156), neo-realists and neo-liberals agree on the propositions that states are the principal, unitary, and rational actors, notions that had once been monopolized by realists. In addition to these propositions, neo-liberals accept the key realist argument that anarchy is the major feature of international relations (ibid). Nye (1988: 251) suggested 'the addition of the process level to the concept of structure in defining international systems provides an opportunity to develop a "neo-liberal" systemic theory that moves toward a synthesis rather than a radical disjunction between Realism and Liberalism. Neo-realism would be most appropriate at the structural level of systemic theory; neo-liberalism would more often be fruitful at the process level'.

Against this backdrop of inter-paradigm debates,⁸ constructivism emerged, seemingly invalidating decades of debates between the established theoretical schools. Constructivists claimed that another round of debate had begun between positivism and post-positivism, dismissing all past dialogues between realists, liberals and Marxists as positivist ones (Wight 1996). Constructivism imbued IR students with new ideas and tools that showed the potential for explaining the complex world of international politics. The new tools of constructivists, comprising such ideational factors as identities and norms, were potent weapons to explain the underlying forces of continuities and transformations. Nevertheless, constructivism 'remains more of a philosophically and theoretically informed perspective on and approach to the empirical study of international relations' than a full-fledged theory (Ruggie 1998: 856).

Therefore, this dissertation aimed to sharpen the constructivist approach to international relations and formulate a testable hypothesis in the field of strategies of engagement. In particular, this dissertation discovered the necessary conditions and social settings for the shift of a state's identity vis-à-vis an enemy state and explained what kinds of tools an activist government could mobilize in engaging an enemy state to implement strategies of comprehensive engagement. Having analyzed a set of case studies, this research demonstrated that a constructivist approach is able to play a significant role in supplementing 'problem-solving theories' in times of momentous change.⁹ By formulating the identity norm life cycle, which is an historically grounded conceptual framework, this dissertation demonstrated that a given government, in this case South Korea, which finds itself somewhere on the friendship-enmity continuum, is able to act as a norm entrepreneur in order to successfully resolve the conflicts of interests with an enemy state, a dimension that was not addressed by the theories of realism and liberalism.

Contribution to Practice. Practitioners of containment and engagement have worked to realize their state interests in a rather narrow gamut of choices between inducements and punishments. Since the presence of an enemy state contributed to an

⁸ The term, 'inter-paradigm debate', was coined by Banks (1988). According to him, the first debate took place between idealism and realism in the 1940s and the second between traditionalism and behaviouralism in the 1950s-1960s. The 'third inter-paradigm debate' was conducted among realism, liberalism and Marxism.

⁹ Cox (1981) argued that Morgenthau and Waltz had transformed realism into a problem-solving theory that aims to make the given framework of relationships and institutions work smoothly by removing sources of trouble. Therefore, constructivism, which belongs to the tradition of critical theory, can hardly become a problem-solving theory, since it cannot 'fix limits or parameters to a problem area and reduce the statement of a particular problem to a limited number of variables which are amenable to relatively close and precise examination' (ibid: 129).

in-group solidarity or the use of comprehensive engagement faced stiff opposition from domestic forces with competing identities, the policymaking elite was prevented from launching risky projects of engaging an enemy state, thus perpetuating animosities even after the international structure, such as bipolarity, shifted with the end of the Cold War. In this sense, this dissertation endeavoured to identify new tools of engagement that could be readily used by practitioners of engagement.

Given its durability and intensity, touching on the dilemma of the Korean division was like opening Pandora's box. Reflecting the five decades of national division, the diversity of opinion on the peninsula is unlimited, hampering efforts to form a national consensus. This dissertation explained how the Kim administration pursued the Sunshine Policy in a consistent manner, in spite of continuous criticism and opposition by domestic groups and foreign states with competing identities, and how it achieved a remarkable shift in South Koreans' identities vis-à-vis North Korea. The shift of identities, taking place at the social level as an outcome of identity norm management, was an important variable that helped the Kim administration to remain on the course of engagement. These shifting identities further facilitated the Kim administration's efforts to maintain the status quo and promote economic integration between the two Koreas in a dialectic manner. By illustrating the process of comprehensive engagement, this dissertation can serve as a reference for practitioners of engagement.

In sum, this dissertation provides an unparalleled guidance for understanding strategies of comprehensive engagement in both theory and practice by clarifying the causal link between states' policies and their identities and norms.

5. Limitations and Areas for Further Research

This research, as a pioneering study of South Korean engagement policy from the perspective of constructivism, opens wide potential areas for further research, which are, at the same time, the limitations of this research. First of all, the most obvious area for further study is the continuous documentation of the developments of inter-Korean relations, since it is important to determine whether the third stage of 'norm cascade' of the identity norm life cycle, proposed by this dissertation, could further evolve into the final stage of internalization, wrapping up the four-stage process. So far, the process of South Koreans' identity shifts vis-à-vis North Korea has been in progress in a positive manner, fitting nicely into this dissertation's identity norm life cycle. Nevertheless, the future of inter-Korean rapprochement is still uncertain, despite this dissertation's articulated conditions for successful identity shifts. Wendt (1999: 353) warns that a sense of common fate *per se* is not a sufficient variable for collective identity formation,

since history is replete with incidents in which distrust prevents states facing a common fate from working together. Therefore, this research has inherent limitations, since it is premature to predict the historical course of inter-Korean rapprochement with certainty and the Sunshine Policy is still a moving target subject to different interpretations. In particular, the policy's major aims, including the connection of railways and roads, the Mt. Kumgang tourism project and the Kaesong industrial park, are still at the stage of evolution, thus making it difficult to size up their eventual contribution to inter-Korean rapprochement.

Second, this dissertation could be further expanded into a complete 'history of enemies' comprising the five-decade-long relationship between North and South Korea since the division of the nation in 1945 by launching a research project into the past governments' policies vis-à-vis North Korea from the perspectives of identities and norms. This dissertation only made a brief summary of the past governments' policies and practices in Chapter Four.

Third, the preliminary findings of this study suggest that the identity norm life cycle could be applied not only to inter-Korean relations, but to the diplomatic histories of other former enemies: the Soviet Union and the United States, the United States and China, and the United States and Vietnam. In addition to these past cases, the identity norm life cycle could offer a roadmap to a future comparative analysis of hostilities between China and Taiwan, between the United States and North Korea, and between Japan and North Korea. The post-Cold War world created an historical setting for the improvement of bilateral relations between these states, throwing them into the second stage of the identity norm life cycle: 'collision of identity norms'. However, we have not yet witnessed the emergence of an activist government, which could engage in norm entrepreneurship to put an end to their hostile relations. Further behind them in the identity norm life cycle are those standoffs between Israel and Palestine and between the United States and some Arab states, like Iran. In these examples, the Huntingtonian division based on civilizations has some validity, causing structural constraints on the improvement of bilateral ties. As long as the United States operates its foreign policy within the limit of Campbell's (1992) self-fulfilling prophecy in which it continues to reinvent enemy states as part of its own identity-building process, it would be hard to ameliorate its lingering enmity with some Arab states, which have also been the breeding ground for terrorism against the United States. Nevertheless, a myriad of interactions to come in the future may usher in a moment when the United States is able to reconfigure its state interests vis-à-vis its adversaries or faces bigger enemies than them. If that moment comes, a future US administration would emerge as an activist

government embodying new identity norms of more contacts, more dialogue and more communication.¹⁰

With a pioneering norm entrepreneurship project, dubbed the Sunshine Policy, the Kim administration strove to resolve a number of problems emanating from the Korean division, even though there is still a long way to go before the fragile nationhood can be further consolidated. Nevertheless, the final phase of the identity norm life cycle, namely, 'norm internalization', appears to be within grasp in the form of the abolition of the National Security Law.¹¹ When South Korea's institutional bulwark against inter-Korean exchange and cooperation crumbles and the North follows suit, the Korean nation will seize a golden opportunity to untangle the knots of the national divide which were too tight to unravel even with the structural shift implied by the end of the Cold War.

¹⁰ Before being nominated as the Democratic Party candidate for the 2004 presidential election, Senator John Kerry, chairman of the Senate Foreign Relations subcommittee on East Asian and Pacific Affairs, said: 'I'll tell you that I thought the [Bush] administration made an enormous mistake not to engage with the North Koreans from Day 1.... We didn't trust the Soviet Union, but we talked to them and ultimately engaged them in a ratcheting down of the arms race' (*New York Times*, 2 November 2002).

¹¹ In a parliamentary election held on 15 April 2004, President Roh Moo-hyun's Uri Party, which had championed the idea of abolishing the anti-Pyongyang National Security Law, emerged as a majority party, brightening the prospects for the repeal of the law. The triumph of Roh's party is regarded as the first time in South Korea's parliamentary history that a political party, which is not affiliated with the past's military regimes, won the status of a majority party. The opposition GNP is also shifting its stance regarding the law, with its leader, Park Geun-hye, indicating that her party would consider revising the law (*Yonhap News Agency*, 24 April 2004).

APPENDICES

Appendix I: List of Interviewees

Chong Wa Dae

National Security Advisors:

Lim Dong-won (Seoul, August 2003)

Hwang Won-tak (Telephone, April 2004)

Yim Sung-joon (Seoul, August 2003)

Ban Ki-moon (Seoul, August 2003)

Rhee Bong-jo, chief of the NSC coordination bureau (Seoul, August 2003)

NIS:

Director Lim Dong-won (Seoul, August 2003)

MOFAT:

Minister Hong Soon-young (Seoul, August 2003)

Minister Choe Sung-hong (Seoul, August 2003)

Ambassador to the United States Han Sung-joo (Telephone, March 2004)

Ambassador to France Jang Jai-ryong (Paris, July 2003)

Ambassador to Britain Lee Tae-shik (London, July 2003)

Ambassador to Germany Kwon Young-min (Berlin, July 2003)

Minister Kim Il-soo at the Korean Embassy in London (London, July 2003)

Minister Moon Bong-joo at the Korean Embassy in Washington (Seoul, August 2003)

Director General Shim Yoon-jo of North American Affairs Bureau (Seoul, August 2003)

Director General Chung Sang-ki of Asia Pacific Affairs Bureau (Seoul, August 2003)

Director General Kim Young-seok of European Affairs Bureau (Seoul, August 2003)

Director Yoo Euy-sang of Northeast Asia Division I (Seoul, August 2003)

MOU:

Minister Lim Dong-won (Seoul, August 2003)

Minister Park Jae-kyu (Seoul, September 2003)

Minister Hong Soon-young (Seoul, August 2003)

Minister Jeong Se-hyun (Seoul, August 2003)

Vice Minister Cho Kun-shik (Seoul, August 2003)

Deputy Minister Hwang Ha-soo (Seoul, August 2003)

Director General Cho Myung-kyun of Inter-Korean Exchanges and Cooperation Bureau (Seoul, August 2003)

Academia:

Professor Choi Sang-yong of Korea University (Seoul, August 2003)

Professor Moon Chung-in of Yonsei University (Seoul, August 2003)

Director Muthiah Alagappa of the East-West Center (Seoul, August 2003)

KINU Senior Research Fellow Choi Jin-wook (Seoul, September 2003)

IFANS Associate Professor Kim Sung-han (Seoul, September 2003)

IFANS Assistant Professor Park Cheol-hee (Seoul, September 2003)

Professor Shen Dingli of Fudan University in Shanghai (Seoul, August 2003)

Hyundai:

Vice President Kim Ko-joong (Seoul, September 2003)

Manager Lee Mi-kyung (Seoul, September 2003)

Others:

Jim Hoare, British charge d'affaires in Pyongyang (E-mail, April 2004)

Joel Wit, former US State Department official (Seoul, August 2003)

Appendix II: National Security Law (Revised 31 May 1991, still in effect)

Chapter 1: General Provisions

Article 1: Purpose

(1) The purpose of this Law is to restrict anti-state activities which endanger the national security, so that the nations security and the life and liberty of the citizens can be secured.

(2) Interpretation and application of the provisions of the Law shall be restrictive only to achieve the purposes stated in Section (1), and shall not be liberally construed or applied in a manner which unjustifiably impinge upon the fundamental civil rights of the citizenry protected under the Constitution.

Article 2: Definition

(1) Under this Law, the term Anti-State Organization shall mean an association or a group having a command structure with the purpose of claiming the title of the Government or overthrow the State.

Chapter 2: Crime and Punishment

Article 3: Formation of Anti-state Organization

(1) Any person who organizes or joins an Anti-state Organization shall be punished in accordance with the following classification:

(a) Any person acting as the ring leader shall be punishable by death or life imprisonment

(b) Any person engaged in the duties of leadership or officers shall be punishable by death, life imprisonment or imprisonment of a term of not less than 5 years; and

(c) Any person other than those mentioned above shall be punishable by imprisonment for a term of not less than 2 years.

(2) Any person who recommends membership in an Anti-state Organization to a third party shall be punishable by imprisonment for a term of not less than 2 years.

(3) Any person found to have attempted the acts in Sections (1) and (2) shall be punished.

(4) Any person conspiring or preparing to commit the crimes under Sections (1)(a) and (1)(b) shall be punishable by imprisonment for a term of not less than 2 years.

(5) Any one conspiring or preparing to commit the crime under Section (1)(c) shall be punishable by imprisonment for a term of not exceeding 10 years.

Article 4: Performance of Objectives

(1) If a member of an Anti-state Organization or a person receiving orders from such

organization engages in actions in furtherance of said organizations objectives, said member or person shall be punished in accordance with the following classifications:

(a) Any person who has committed the acts defined under Articles 92 through 97, Article 99, Section (2) of Article 250, Article 338, or Section (3) of Article 340 of the Criminal Code shall be subject to the punishment prescribed under the applicable Articles.

(b) Any person who has committed the acts defined under Article 98 of the Criminal Code or has detected, collected, divulged, transmitted or intermediated the States secrets shall be punishable in accordance with the following classifications:

(i) If the subject military secret or the States secret is of the kind which must be restricted to select persons in order to avoid material detriment to the national security, or fact, material or knowledge which must be guarded against the enemy states and Anti-state Organizations, then the person shall be punishable by death or life imprisonment.

(ii) In cases involving military secret or the States secret other those described under sub-section (i), a person in violation shall be punishable by death, life imprisonment or imprisonment for a term of not less than 7 years.

(c) Any person who has committed any one of the acts defined under Article 115, Section (1) of Article 119, Articles 147, 148, 164 through 169, 177 through 180, 192 through 195, 207, 208, 210, Section (1) of Article 250, Articles 252, 253, 333 through 337, 339, Sections (1) and (2) of Article 340 of the Criminal Code shall be punishable by death, life imprisonment or imprisonment of a term of not less than 10 years.

(d) Any person who has destroyed the transportation or communication facilities or buildings or any other key facilities used by the State or public organization, or kidnapped or inveigled other person, or moved or taken away vessels, airplanes, automobiles, weapons and any other goods, shall be weapons and any other goods, shall be punishable by death, life imprisonment or imprisonment for a term of not less than 5 years;

(e) Any person who has committed any one of the acts defined under Articles 214 through 217, 257 through 259, and 262 of the Criminal Code, or destroyed, concealed, forged, or transferred the documents or goods considered the States secret shall be punishable by imprisonment for a term of not less than 3 years; and

(f) Any person who has instigated or propagandized any one of the acts defined in sub-sections (a) through (e), or fabricated or disseminated false facts or transmitted fabricated facts concerning such matters that might cause social disorder, shall be punishable by imprisonment for a term of not less than 2 years.

(2) Any person who attempts to commit the acts defined under Section (1) shall be punished.

(3) Any person who prepares or conspires to commit the crimes as set forth in subsections (a) through (d) of Section (1) shall be punishable by imprisonment for a term of not less than 2 years.

(4) Any person who prepares or conspires to commit the crimes as set forth in subsections (e) and (f) of Section (1) shall be punishable by imprisonment for a term not exceeding 10 years.

Article 5: Voluntary Support and Receiving Money or Materials

(1) Any person who has voluntarily committed any one of the acts as stipulated in Section (1) of Article 4 for the purpose of aiding an Anti-state Organization or its members or those who had been under instruction from such organization shall be punished as prescribed in Section (1) of Article 4.

(2) Any person who has received money or materials from member of an Anti-state Organization or a person who had been under instruction from such organization, with the knowledge that such action threatens the nations existence and security and the order of liberal democracy, shall be punishable by imprisonment for a term of not exceeding 7 years.

(3) Any person who attempts to commit the crimes as stipulated in Sections (1) and (2) shall be punished.

(4) Any person who prepares or conspires to commit the crimes as stipulated in Section (1) shall be punishable by imprisonment for a term of not exceeding 10 years.

(5) Deleted.

Article 6: Escape and Infiltration

(1) Any person who has infiltrated into this country from an area controlled by an Anti-state organization, or illegally escaped to such area, with the knowledge that such action threatens the nations existence and security and the order of liberal democracy, shall be punishable by imprisonment for a term of not exceeding 10 years.

(2) Any person who has escaped or infiltrated after receiving or in order to receive a directive from an Anti-state Organization or its member, or after discussing or in order to discuss the execution of its objectives, shall be punishable by death, life imprisonment or imprisonment for a term of not less than 5 years.

(3) Deleted.

(4) Any person who attempts to commit the crimes stipulated in Sections (1) and (2) shall be punished.

(5) Any person who prepares or conspires to commit the crimes as stipulated in Section

(1) shall be punishable by imprisonment for a term of not exceeding 7 years.

(6) Any person who prepares or conspires to commit the crimes stipulated in Section (2) shall be punishable by imprisonment for a term of not less than 2 years.

Article 7: Praise, Encouragement, Etc.

(1) Any person who, with the knowledge that such action threatens the nation's existence and security and the order of liberal democracy, praises, encourages, advertises or supports the activities of an Anti-state Organization or its members, or advertises or advocates a rebellion against the State shall be punishable by imprisonment for a term of not exceeding 7 years.

(2) Deleted.

(3) Any person who organizes an association which purports to commit the acts as stipulated in section (1) or participates in such association, shall be punishable by imprisonment for a term not less than 1 year

(4) Any person who, as a member of the association as mentioned in Section (3), has fabricated or disseminated false facts or transmitted fabricated facts concerning such matters which will likely cause social disorder shall be punishable by imprisonment for a term of not less than 2 years.

(5) Any person who, for the purpose of committing the acts as stipulated in Sections (1), (3) and (4), has produced, imported, duplicated, kept in custody, transported, disseminated, sold or acquired documents, drawings and any other similar means of expression shall be punished as prescribed in each applicable Section.

(6) Any person who attempts to commit the crimes as stipulated in Section (1) and Sections (3) through (5) shall be punished.

(7) Any person who prepares or conspires to commit the crimes as stipulated in Section (3) shall be punishable by imprisonment for a term of not exceeding 5 years.

Article 8: Meetings, Communication, Etc.

(1) Any person who, with the knowledge that such action threatens the nations existence and security and the order of liberal democracy, has met with or has established liaison with, by communication or any other means, a member of an Anti-state Organization or a person who has been under instruction from such organization, shall be punishable by imprisonment for a term of not exceeding 10 years.

(2) Deleted.

(3) Any person who attempts to commit the crimes defined in Section (1) shall be punished.

(4) Deleted.

Article 9: Providing Convenience

(1) Any person who has provided firearms, ammunition, gunpowder, or any weapon, with the knowledge that the person to whom such weapon is provided has committed or intends to commit the crimes stipulated in Articles 3 through 8 of this Law shall be Punishable by imprisonment for a term of not less than 5 years.

(2) Any person who has provided money, materials or any other benefits in terms of property, or has furnished a place of hiding, meeting, communication, or liaison or has provided convenience is offered has committed or intends to commit the crimes stipulated in Articles through 8 of this Law, shall be punishable by imprisonment for a term of not exceeding 10 years. Provided, however, that if the above-mentioned person has a family relationship with the offender of the stipulated crime, the punishment hereunder may be either mitigated or remitted.

Article 10: Failure to Report

Any person who, possessing knowledge of a person who has committed one of the crimes as set forth in Articles 3 and 4, and Sections (1) and (3) of Article 5, has failed to report the matter to an investigation or intelligence authority, shall be punishable by imprisonment of a term of not exceeding 5 years or a fine not exceeding two million Won. Provided, however, that if the above-mentioned person has a family relationship with the offender of the stipulated crime, the punishment hereunder may be either mitigated or remitted.

Article 11: Desertion of Special Duties

Any public official, charged with a duty to investigate crimes or gather intelligence, who has deserted his duty with the knowledge that a person under investigation has committed the crime prescribed in this Law, shall be punishable by imprisonment for a term of not exceeding 10 years. Provided, however, that if the aforesaid person has a family relationship with the offender of the stipulated crime, the punishment may be either mitigated or remitted.

Article 12: False Accusation and Fabrication

(1) Any person who has made false accusations or committed perjury or fabricated evidence of guilt or destroyed or concealed evidence of innocence with respect to the crimes as set forth in this Law for the purpose of producing criminal charges against another person, shall be punished by the same penalty as stipulated in the corresponding Article.

(2) In case a public official who takes in charge of criminal investigation or intelligence or any other person who assists or direct such work, has committee such acts as stipulated in Section (1) by abusing his official power, he shall be punished by the same penalty as set forth in Section (1).

(3) Provided, however, that the minimum penalty shall be imprisonment for a term of 2 years, if it the minimum penalty thereunder is imprisonment for a term of 2 years.

Article 13: Special Aggravated Penalty

If a person having committed and been convicted of the crime stipulated in this Law, Article 13 or 15 of the Military Penal Act, Rebellion Chapter I or foreign Aggression Chapter II of Part 2 of the Criminal Code, commits again the crime stipulated in Article 3, Paragraph 1. Item 3, Paragraphs 2 through 5, Article 4, Paragraph 1, Item 1 (however, only limited to the crime stipulated in Article 94, Paragraph 2, Articles 97 through 99), Article 4, Paragraph 1, Items 5 and 6, Article 4, Paragraphs 2 through 4, Article 5, Article 6, Paragraphs 1, 4 through 6, Articles 7 through 9 in the course of execution of punishment or within five years after the termination of the execution of punishment or after the final decision not to be executed the punishment, the maximum penalty applicable to such crime shall be the capital punishment.

Article 14: Suspension of Qualification

In cases where the sentence to be imposed is imprisonment with respect to the crimes as set forth in this Law, suspension of qualification for a term not exceeding the maximum term of the imprisonment may be imposed concurrently.

Article 15: Confiscation and Forfeiture

(1) If a person, having committed one of the crime as set forth in this Law, has received any benefit, such benefit shall be confiscated such benefit, a sum equivalent thereto shall be forfeited. However, if it is impossible to confiscate such benefit, a sum equivalent to confiscate such benefit, a sum equivalent thereto shall be forfeited.

(2) In cases where no indictment has been made against the offender of the crime stipulated in the Law, the public persecutor may order the seized property either to be destroyed or to be reverted to the National Treasury.

Article 16: Mitigation of Penalty

For any person coming under one of the following Sections, the prescribed punishment shall be either mitigated or remitted:

(1) Any person who surrenders oneself after having committed the crime stipulated in the present Act;

(2) Any person who informs the authorities on another person who has committed a crime stipulated in the Law or interferes with commitment of the crimes under this Law after having himself committed the crime stipulated in the present Act.

(3) Deleted.

Article 17: Exclusion of Application of Another Act

The provision of Article 9 of the Labor Dispute Adjustment Law shall not apply to the

person who has committed the crimes as set forth in this Act.

Chapter3: Special Provisions Governing Criminal Procedure

Article 18: Production and Detention of Witness

(1) Any person who, without justification, fails to appear as a witness to a crime as stipulated in this Law twice or more times after having been served with summons from a public prosecutor or a judicial police official, may be produced after securing a warrant of detention from a judge of the court having jurisdiction.

(2) In the event a warrant of detention is issued to produce a witness, such witness may be temporarily detained in a nearby police station or another proper place, if necessary.

Article 19: Extension of the Detention Period

(1) If a judge of a district court recognized that there is a valid reason to continue investigation of the crimes which fall under Articles 3 through 10, he may, upon an application by a public prosecutor who received a request for an extension by a judicial police officer, authorize a single extension of the period of detention as stipulated in Article 202 of the Code of Criminal Procedure.

(2) A judge of a district court, upon determining that there is a valid reason to continue the investigation of the crimes as set forth in Section (1), may, upon an application by a public prosecutor, authorize extension of the detention period as stipulated in Article 203 of the Code of Criminal Procedure. Such extension, however, shall be limited to only two times.

(3) The extension of the period stipulated in Sections (1) and (2) shall not exceed 10 days.

Article 20: Deferment of Public Prosecution

(1) A public prosecutor may defer public prosecution against a person who has committed a crime stipulated in this Law upon consideration of the circumstances stipulated in Article 51 of the Criminal Code.

(2) A person against whom public prosecution has been deferred in accordance with the provision of Section (1) may not be indicted if 2 years has elapsed without institution of any public prosecution against him.

(3) If a person against whom public prosecution has been deferred violates regulations governing surveillance or guidance as stipulated by the Minister of Justice, deferment of public prosecution against him may be canceled.

(4) In cases where the deferment of public prosecution has been canceled according to the provision of Section (3), the person concerned may be detained for the identical rime, regardless the provision of Article 208 of the Code of Criminal Procedure.

Chapter 4: Reward and Relief

Article 21: Monetary Award

(1) Any person who has informed an investigation or intelligence agency of a person who has committed any crime stipulated in this Law or has committed any crime stipulated in this Law or has arrested such person shall be given monetary award as stipulated by a Presidential Decree.

(2) Monetary award under Section (1) shall apply to those personnel working for an investigation or intelligence agency who has recognized and arrested a person who has committed any crime stipulated in this Act.

(3) A monetary award may be given in accordance with the provision of Section (1) to a person who has inevitably killed the offender or has forced the offender to commit suicide because of the offenders resistance or fighting against him when he was trying to arrest the offender.

Article 22: Reward for Service

(1) If the property is seized under the foregoing Article, a reward for services, valued at one-half of the value of the seized property, may be awarded in those cases where monetary reward is given.

(2) A reward for services corresponding to one half of the value of the money or goods may be awarded to any person who turns over to the investigative or intelligence authorities the money or materials received from an Anti-state Organization or its member. The same shall apply in cases where a member of an Anti-state Organization turned over the aforesaid money or goods.

(3) The necessary matters concerning the request for and payment of the reward for services hereunder shall be provided for by Presidential Decree.

Article 23: Relief

Bereaved family of the person injured or killed in the course of informing an investigation or intelligence agency or arresting the offender who has committed any crime stipulated in this Law may be put in the list of the people subject to relief under the Military Relief and Compensation Act.

Article 24: Committee to Screen Persons of Meritorious Service for National Security

(1) In order to examine and decide payment of the prize and reward for services stipulated in this Law and the persons subject to relief mentioned in Article 23, a Committee to Screen Persons of Meritorious Service for National Security activities (hereinafter referred to as the Committee) shall be established.

(2) The Committee may, if necessary for its deliberation, summon or investigate the person concerned, and demand the government agency and other public and private organizations for its report on the necessary matters concerned.

(3) Necessary matters concerning organization and operation of the Committee shall be determined by a Presidential Decree.

Article 25: Mutatis Mutandiis Application to Persons Who Are Subject to the Military Law

In cases where a person who has committed a crime provided for in this Law is also charged under one of the sub-sections of Section (1) of Article 2 of Military Court Act, the Judge, the public prosecutor, and the Judicial police officer in proceeding under this Law shall be construed as corresponding personnel in the Military Court and shall be construed to mean the military judicial police officer.

Appendix III: Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation Between South and North Korea (The Basic Agreement) (13 December 1991)

South and North Korea, in keeping with the longing of the entire Korean race for the peaceful unification of our divided fatherland; reaffirming the three basic principles of unification set forth in the South-North Joint Communiqué of July 4, 1972; determined to end the state of political and military confrontation and achieve national reconciliation; also determined to avoid armed aggression and hostilities, and to ensure the lessening of tension and the establishment of peace; expressing the desire to realize multi-faceted exchanges and cooperation to promote interests and prosperity common to the Korean people; recognizing that their relationship, not being a relationship as between states, is a special one constituted temporarily in the process of unification; pledging themselves to exert joint efforts to achieve peaceful unification; hereby agreed as follows;

CHAPTER 1: SOUTH-NORTH RECONCILIATION

Article 1. South and North Korea shall recognize and respect the system of each other.

Article 2. South and North Korea shall not interfere in the internal affairs of each other.

Article 3. South and North Korea shall not slander or defame each other.

Article 4. South and North Korea shall refrain from any acts of sabotage or insurrection against each other.

Article 5. South and North Korea shall together endeavor to transform the present state of armistice into a firm state of peace between the two sides and shall abide by the present Military Armistice Agreement until such a state of peace is realized.

Article 6. South and North Korea shall cease to compete with or confront each other, and instead shall cooperate and endeavor to promote the racial dignity and interests of Korea in the international arena.

Article 7. South and North Korea shall establish and operate a South-North Liaison Office at Panmunjom within three months of the entry into force of this Agreement to

ensure close liaison and consultations between the two sides.

Article 8. South and North Korea shall establish a South-North Political Committee within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement to consider concrete measures to ensure the implementation and observance of the agreement on South-North reconciliation.

CHAPTER 2: AGREEMENT OF NON-AGGRESSION BETWEEN SOUTH AND NORTH KOREA

Article 9. South and North Korea shall not use force against each other and shall not undertake armed aggression against each other.

Article 10. South and North Korea shall resolve peacefully, through dialogue and negotiation, any differences of views and disputes arising between them.

Article 11. The South-North Demarcation Line and the areas for non-aggression shall be identical with the Military Demarcation Line provided in the Military Armistice Agreement of July 27, 1953, and the areas that each side has exercised jurisdiction over until the present time.

Article 12. In order to implement and guarantee non-aggression, the South and the North shall establish South-North Joint Military Commission within three months of the entry into force of this Agreement. In the said Commission, the two sides shall discuss problems and carry out steps to build up military confidence and realize arms reduction, in particular, the mutual notification and control of large-scale movements of military units and major military exercises, the peaceful utilization of the Demilitarized Zone, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and attack capabilities, and verifications thereof.

Article 13. South and North Korea shall install and operate a telephone line between the military authorities of each side to prevent the outbreak and escalation of accidental armed clashes.

Article 14. South and North Korea shall establish South-North Military Sub Committee within the framework of the South-North High-Level Negotiations within one month of

the entry into force of this Agreement to discuss concrete measures for the implementation and observance of the agreement on non-aggression and to remove the state of military confrontation.

CHAPTER 3: EXCHANGES AND COOPERATION BETWEEN SOUTH AND NORTH KOREA

Article 15. In order to promote the integrated and balanced development of the national economy and the welfare of the entire people, the South and the North shall engage in economic exchanges and cooperation, including the joint development of resources, the trade of goods as intra-Korean commerce and joint ventures.

Article 16. South and North Korea shall carry out exchanges and promote cooperation in various fields such as science and technology, education, literature and the arts, health, sports, the environment, journalism and media including newspapers, radio, television broadcasts, and other publications.

Article 17. South and North Korea shall implement freedom of intra-Korean travel and contact among the members of the Korean people.

Article 18. South and North Korea shall permit free correspondence, movement between the two sides, meetings, and visits between dispersed family members and other relatives, promote their voluntary reunion, and take measures to resolve other humanitarian issues.

Article 19. South and North Korea shall reconnect the railway and the previously severed roads, and shall open sea and air routes.

Article 20. South and North Korea shall establish and link facilities for exchanges by post and telecommunications, and shall guarantee the confidentiality of intra-Korean mail and telecommunications.

Article 21. South and North Korea shall cooperate in the international arena in the economic, cultural and other fields, and shall advance abroad together.

Article 22. In order to implement the agreement on exchanges and cooperation in the economic, cultural, and other fields, South and North Korea shall establish joint

commissions for each sector, including Joint South-North Economic Exchanges and Cooperation Commission, within three months of the entry into force of this Agreement.

Article 23. A Sub Committee on South-North Exchanges and Cooperation shall be established within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement, to discuss concrete measures for the implementation and observance of the agreement on South-North exchanges and cooperation.

CHAPTER 4: AMENDMENTS AND EFFECTUATION

Article 25. This Agreement may be amended or supplemented by agreement between the two sides.

Article 26. This Agreement shall enter into force from the date the South and the North exchange the appropriate instruments following the completion of the respective procedures necessary for its implementation.

Signed on December 13, 1991*

* This Agreement entered into force on February 19, 1992

Chung Won-shik
Chief Delegate of the South delegation
to the South-North High-Level Talks

Prime Minister of the Republic of Korea

Yon Hyong-muk
Head of the North delegation
to the South-North High-Level Talks

Premier of the Administration
Council of the Democratic People's
Republic of Korea

Appendix IV: Joint Statement of the Democratic People's Republic of Korea and the United States of America (11 June 1993)

The Democratic People's Republic of Korea and the United States of America held governmental-level talks in New York from the 2nd through the 11th of June, 1993. Present at the talks were the delegation of the Democratic People's Republic of Korea headed by First Vice Minister of Foreign Affairs Kang Sok Ju and the delegation of the United States of America led by Assistant Secretary of State Robert L. Gallucci, both representing their respective Governments. At the talks, both sides discussed policy matters with a view to a fundamental solution of the nuclear issue on the Korean Peninsula. Both sides expressed support for the North-South Joint Declaration on the Denuclearization of the Korean Peninsula in the interest of nuclear non-proliferation goals.

The Democratic People's Republic of Korea and the United States have agreed to principles of:

- Assurances against the threat and use of force, including nuclear weapons;
- peace and security in a nuclear-free Korean Peninsula, including impartial application of fullscope safeguards, mutual respect for each other's sovereignty, and non-interference in each other's internal affairs; and
- support for the peaceful reunification of Korea.

In this context, the two Governments have agreed to continue dialogue on an equal and unprejudiced basis. In this respect, the Government of the Democratic People's Republic of Korea has decided unilaterally to suspend as long as it considers necessary the effectuation of its withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons.

Appendix V: Agreed Framework between the United States of America and the Democratic People's Republic of Korea (21 October 1994)

Delegations of the governments of the United States of America (U.S.) and the Democratic People's Republic of Korea (DPRK) held talks in Geneva from September 23 to October 21, 1994, to negotiate an overall resolution of the nuclear issue on the Korean Peninsula.

Both sides reaffirmed the importance of attaining the objectives contained in the August 12, 1994 Agreed Statement between the U.S. and the DPRK and upholding the principles of the June 11, 1993 Joint Statement of the U.S. and the DPRK to achieve peace and security on a nuclear-free Korean peninsula. The U.S. and the DPRK decided to take the following actions for the resolution of the nuclear issue:

I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.

1) In accordance with the October 20, 1994 letter of assurance from the U.S. President, the U.S. will undertake to make arrangements for the provision to the DPRK of a LWR project with a total generating capacity of approximately 2,000 MW(e) by a target date of 2003.

The U.S. will organize under its leadership an international consortium to finance and supply the LWR project to be provided to the DPRK. The U.S., representing the international consortium, will serve as the principal point of contact with the DPRK for the LWR project.

The U.S., representing the consortium, will make best efforts to secure the conclusion of a supply contract with the DPRK within six months of the date of this Document for the provision of the LWR project. Contract talks will begin as soon as possible after the date of this Document.

As necessary, the U.S. and the DPRK will conclude a bilateral agreement for cooperation in the field of peaceful uses of nuclear energy.

2) In accordance with the October 20, 1994 letter of assurance from the U.S. President, the U.S., representing the consortium, will make arrangements to offset the energy foregone due to the freeze of the DPRK's graphite-moderated reactors and related facilities, pending completion of the first LWR unit.

Alternative energy will be provided in the form of heavy oil for heating and electricity production.

Deliveries of heavy oil will begin within three months of the date of this

Document and will reach a rate of 500,000 tons annually, in accordance with an agreed schedule of deliveries.

3) Upon receipt of U.S. assurances for the provision of LWR's and for arrangements for interim energy alternatives, the DPRK will freeze its graphite-moderated reactors and related facilities and will eventually dismantle these reactors and related facilities.

The freeze on the DPRK's graphite-moderated reactors and related facilities will be fully implemented within one month of the date of this Document. During this one-month period, and throughout the freeze, the International Atomic Energy Agency (IAEA) will be allowed to monitor this freeze, and the DPRK will provide full cooperation to the IAEA for this purpose.

Dismantlement of the DPRK's graphite-moderated reactors and related facilities will be completed when the LWR project is completed.

The U.S. and the DPRK will cooperate in finding a method to store safely the spent fuel from the 5 MW(e) experimental reactor during the construction of the LWR project, and to dispose of the fuel in a safe manner that does not involve reprocessing in the DPRK.

4) As soon as possible after the date of this document U.S. and DPRK experts will hold two sets of experts talks.

At one set of talks, experts will discuss issues related to alternative energy and the replacement of the graphite-moderated reactor program with the LWR project.

At the other set of talks, experts will discuss specific arrangements for spent fuel storage and ultimate disposition.

II. The two sides will move toward full normalization of political and economic relations.

1) Within three months of the date of this Document, both sides will reduce barriers to trade and investment, including restrictions on telecommunications services and financial transactions.

2) Each side will open a liaison office in the other's capital following resolution of consular and other technical issues through expert level discussions.

3) As progress is made on issues of concern to each side, the U.S. and the DPRK will upgrade bilateral relations to the Ambassadorial level.

III. Both sides will work together for peace and security on a nuclear-free Korean peninsula.

1) The U.S. will provide formal assurances to the DPRK, against the threat or use of

nuclear weapons by the U.S.

2) The DPRK will consistently take steps to implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula.

3) The DPRK will engage in North-South dialogue, as this Agreed Framework will help create an atmosphere that promotes such dialogue.

IV. Both sides will work together to strengthen the international nuclear non proliferation regime.

1) The DPRK will remain a party to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and will allow implementation of its safeguards agreement under the Treaty.

2) Upon conclusion of the supply contract for the provision of the LWR project, ad hoc and routine inspections will resume under the DPRK's safeguards agreement with the IAEA with respect to the facilities not subject to the freeze. Pending conclusion of the supply contract, inspections required by the IAEA for the continuity of safeguards will continue at the facilities not subject to the freeze.

3) When a significant portion of the LWR project is completed, but before delivery of key nuclear components, the DPRK will come into full compliance with its safeguards agreement with the IAEA (INFCIRC/403), including taking all steps that may be deemed necessary by the IAEA, following consultations with the Agency with regard to verifying the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK.

Robert L. Gallucci
Head of Delegation of the
United States of America,
Ambassador at Large
of the United States of America

Kang Sok Ju
Head of the Delegation of the
Democratic People's Republic of Korea,
First Vice-Minister of Foreign Affairs of
the Democratic People's Republic of
Korea

Appendix VI: President Kim Dae-jung's Inaugural Address (25 February 1998)

Let Us Open a New Era:

Overcoming National Crisis and Taking a New Leap Forward February 25, 1998

My fellow countrymen,

Today, I am being inaugurated as the 15th-term President of the Republic of Korea. While sharing with you the joy of the first transition of power from the ruling to an opposition party in 50 years since the establishment of the Government, I commend and thank all of you who have given birth to a genuine "Government of the People," by overcoming all kinds of trials and obstacles.

I would also like to express my deep gratitude to former President Kim Young-sam, former German President von Weizsacker, former Philippines President Corason Aquino, Chairman of the International Olympic Committee Juan Antonio Samaranch and other Korean and foreign guests who are here to congratulate me on my inauguration.

It can be said that the historic significance of today's inaugural ceremony is great, indeed; today is a proud day when a democratic transition of power is taking place on this soil for the first time. Moreover, it is a historic day when an Administration is, at last, being born that will develop democracy and the economy at the same time.

This is truly the "Government of the People" realized by the power of the people. While dedicating all the glory and blessing to you, I firmly pledge to serve you, body and soul.

My fellow countrymen,

We will usher in a new millennium in three years. The dawn of the 21st century does not merely signal a change to a new century, but a start of a new revolution. Having passed through five great revolutions from the human revolution that began with the birth of human beings on earth, through the agricultural revolution, urban revolution, ideological revolution and industrial revolution, humankind is entering a new revolutionary age.

The world is now advancing from industrial societies where tangible natural resources were the factors of economic development into knowledge and information societies where intangible knowledge and information will be the driving power for economic development.

The information revolution is transforming the age of many national economies into an age of one world economy--turning the world into a global village. The information age means that everyone will have access to information whenever and wherever and will be able to easily and cheaply make use of it. This will be possible only in a democratic society.

Approaching this great transitional period in the history of civilization, we must do our utmost and actively meet new challenges. Unfortunately, however, at this very important juncture, we have run into a foreign exchange crisis which is the most serious national crisis since the Korean War. We are faced with a crisis that could bankrupt our country, if we are not careful. With an enormous debt, we are anxious simply to settle the maturing foreign debts that are surging over us every day.

It, indeed, is a stupefying development. The reason we are barely escaping from catastrophe is because of cooperation from you, who are united with patriotism, and the assistance of our friends, including the United States, Japan, Canada, Australia, and the EU nations, as well as the International Monetary Fund, the World Bank and the Asia Development Bank.

Consumer prices and unemployment will rise this year. Incomes will drop and an increasing number of companies will go bankrupt. All of us are being asked to shed sweat and tears.

We must calmly look back to find out how we have arrived at this state of affairs. This unfortunate development would not have taken place if the political, economic and financial leaders of this country were not tainted by a collusive link between politics and business and by government-directed banking practices and if the large business groups did not have a large number of uncompetitive subsidiaries.

I cannot help but feel limitless pain and anger when I think of you, the innocent citizens, who are bearing the brunt of the suffering over the consequences of the wrongdoing

committed by those in leadership positions.

My fellow countrymen,

In facing today's difficulties, however, you have displayed amazing patriotism and great potential. Despite the shock dealt to us in this IMF era, we have carried out the great accomplishment of peacefully transferring power from the ruling to an opposition party.

To overcome the national crisis, you have undertaken a campaign to collect gold and have managed to collect US\$2 billion worth already. I am boundlessly proud of your patriotism, which is more precious than the gold itself. Thank you very much.

Meanwhile, our workers are participating in pain sharing by voluntarily freezing wages and the like, despite mounting difficulties in their daily lives. Businesses have registered a large current account surplus for the past consecutive months by making all-out efforts for exports. This demonstration of the patriotism and potential of the Korean people is earning us respect around the world.

Labor, management and the Government laid a foundation for overcoming the national crisis by reaching a grand compromise through dialogue. What a proud thing it is! Along with all the people, I want to loudly applaud the representatives of the Labor-Management-Government Committee.

I have an earnest request for the opposition, which is the majority party in the National Assembly; we will never be able to overcome today's difficulties without cooperation from you. I will consult with you on all issues; you, in return, must help me if only for one year--this year--when the nation is standing on the brink of disaster. I believe all the people want this.

My fellow countrymen,

Right now, this country is facing a setback and a crisis in all areas including politics, the economy, society, diplomacy, national security and South-North relations. To overcome these, we must carry out comprehensive reform.

Political reform must precede everything else. Participatory democracy must be put into

practice; the people must be treated as masters and must act like masters. Only then can national administration become transparent and irregularities and corruption disappear. I will pay any price to realize politics by the people and politics in which the people are the masters.

The Government of the People will not carry out political retaliation of any kind. It will not accept discrimination and preferential treatment of any kind. I firmly pledge here and now that there will not be a Government for one region, or discrimination against provinces any longer.

The Administration will make itself an effective government by suffering its share of the pain. A large portion of the power and functions that were concentrated in the central Government will be transferred to private and local autonomous organizations.

On the other hand, we will make increased efforts to protect the life and property of the people. We will also make active efforts to protect the environment and improve social welfare.

"A powerful but small government" is the goal of the Government of the People.

The biggest task facing the Government of the People is to overcome the economic crisis and make our economy take off once again. The Government of the People will push democracy and economic development in parallel. Democracy and the market economy are like two sides of a coin or two wheels of a cart. If they were separated, we could never succeed. Every nation that has simultaneously accepted both democracy and a market economy has been successful.

Nations, on the other hand, that have rejected democracy and accepted only a market economy have ended up suffering disastrous setbacks as illustrated by Nazism in Germany and militarism in Japan. These two countries, too, accepted both democracy and a market economy after the Second World War and have come to enjoy the freedom and prosperity they have today.

When democracy and a market economy develop together in harmony, there cannot be collusion between politics and business, government-directed financing and irregularities and corruption. I firmly believe that we can overcome today's crisis by

practicing democracy and a market economy in parallel.

In order to revitalize the economy, we must stabilize prices. Without price stability, no economic policy can succeed. We will take both large corporations and small businesses equally seriously. Moreover, we will help both of them develop by guaranteeing the independence of large corporations and extending concentrated support to small and medium-size businesses.

Furthermore, we will follow the principle of competition. We will forge a nation where businessmen who earn a lot of foreign currency by manufacturing the best quality but cheapest products in the world are respected.

Acting on our determination to build a leading nation in technology, we will resolutely push a policy to make our nation strong in leading-edge technologies. Venture companies are the flower of the new century. By actively fostering them, we must produce high value-added products and make our economy develop in leaps and bounds. Venture companies will create a lot of jobs and greatly contribute to resolving unemployment problems.

The five great reforms that the big business groups have pledged to the Government of the People to undertake--namely, transparency of business management, an end to the practice of guaranteeing loans among group subsidiaries, the building of a healthy financial structure, adherence to core business lines and support for small businesses, and making majority share holders and managers take responsibility--will be carried out by all means.

This is the only way for businesses to survive and for our economy to make another leap forward. The Government will thoroughly guarantee the independence of business companies. However, it will sternly demand that they make efforts for self reform.

The Government of the People will also do its utmost to induce foreign investment while at the same time trying to help boost exports. Inducement of foreign capital is the most effective way to pay back our foreign debts, strengthen the competitiveness of businesses and raise the transparency of the economy.

We must take agriculture very seriously and realize self-sufficiency in rice at any cost.

We will strongly push a policy to lessen the liabilities of farming and fishing households, provide them with disaster compensation, guarantee the prices of farm and fishery products, improve education in farming villages as a matter of priority, raise incomes and enhance the welfare of farmers and fishermen.

If we push appropriate economic reforms with the patriotic and determined people of this country, I have no doubt whatsoever that we will be able to overcome today's difficulties and start on a new path of vitality from the second half of next year.

My fellow countrymen,

Please trust me and support me. I will satisfy your expectations without fail.

My fellow countrymen,

We need a spiritual revolution for a healthy society. By a spiritual revolution, I mean respect for each person and adherence to justice as the highest value. We must realize by all means a society where people who live honestly succeed and those who do not fail. We must share not only pain but rewards and joys. We must shed sweat together and reap fruit together. I will take the lead and devote my all to realizing such a spiritual revolution and righteous society.

We must give opportunities to work to the elderly and disabled if they are capable. If they are not, we must take care of them warmly. I will be "the president of the people," who will wipe the tears of the alienated and encourage those in despair.

We, as a people, have a high level of education and brilliant cultural tradition. We are a superior people who have enormous potential in the age of information of the 21st century.

The new Administration will make efforts so that the young generations will be able to become main players in the knowledge and information society. We will teach computers in primary schools and let high school graduates choose computer science on the university entrance examinations. We will lay a firm foundation for a leading nation in the information age by training the most skilled computer users in the world.

Education reform is a core task that will solve a mountain of problems in our society today. We will epochally reform the university entrance examination system and forge a society where ability counts. We will free young people from extracurricular studies and relieve parents from the heavy monetary burden of private tutoring. We will realize education for whole men and women, emphasizing knowledge, moral character and physical fitness equally. I take this opportunity to firmly pledge that I will carry out such educational reforms at all costs.

We must pour our energy into globalizing Korean culture. We must embrace and develop the high values that are contained in traditional culture. The culture industry is one of the basic industries of the 21st century. Tourism, the convention industry, the visual industry, and special cultural commodities are a treasure trove for which a limitless market is awaiting.

The middle class is the foundation of the nation. I will do my best so that middle-class people--salaried men and women, small businessmen and self-employed persons--can lead a stable and happy life.

The Government of the People will make active efforts to protect women's rights and develop their abilities. The wall of sexual discrimination in homes, workplaces and throughout society must be removed.

Young people are the nation's hope as well as strength. The Government will not spare any effort to establish support measures for the promotion of their education, culture and welfare.

My fellow countrymen,

The 21st century will be a millennium characterized by both competition and cooperation. Diplomacy in the age of globalization will require a change in ways of thinking. Diplomacy in the 21st century will center around the economy and culture. We will keep expanding trade, investment, tourism and cultural exchanges in order to make our way in the age of boundless competition which will take place against a backdrop of cooperation.

Our national security has to be independent as well as collective. Based on the unity of the people and a strong armed force with high morale, we must strengthen our independent security posture. At the same time, we will never neglect collective security, further firming up, among other things, the ROK-U.S. security arrangement. For the establishment of peace on the Korean Peninsula, we will make utmost efforts to bring the Four-Party Meeting to success.

Inter-Korean relations must be developed on the basis of reconciliation and cooperation as well as the settlement of peace. The Cold-War style of South-North relations for over a half century, during which members of separated families could not confirm whether their own parents and brothers and sisters are alive or dead, let alone carry on dialogue and exchanges, must be liquidated as soon as possible. I cannot but feel boundless shame before our ancestors who maintained one unified country for more than 1,300 years.

The path toward the resolution of South-North problems has already open. It is the implementation of the Basic South-North Agreement adopted on December 13, 1991. The Government authorities in the South and North have already reached complete agreement on three items, namely, reconciliation, exchanges and cooperation, and non-aggression between the South and North. If we carry out these agreements, we can successfully resolve inter-Korean problems and march on a broad path toward unification.

Here, I will define three principles on North Korea:

First, we will never tolerate armed provocation of any kind.

Second, We do not have any intention to harm or absorb North Korea.

Third, we will actively push reconciliation and cooperation between the South and North beginning with those areas which can be most easily agreed upon.

If interaction and cooperation between the South and North are realized, we are prepared to support North Korea even if it pushes for interaction and cooperations with our friends, including the United States and Japan as well as international organizations.

Despite the current economic difficulties, the new Administration will carry out the promises the Republic of Korea made in connection with the construction of light-water nuclear reactors in North Korea. We will not be stingy in extending food aid to North Korea from the Government and private organizations through reasonable ways.

I earnestly appeal to North Korean authorities. Numerous members of separated families have become old and are passing away. We must let relatives separated from their families in the South and North meet and communicate with each other as soon as possible. On this point, North Korea has shown some positive signs of late, and I am paying keen attention to developments. I also hope that the two sides will expand cultural and academic exchanges and economic exchanges on the basis of separating the economy from politics.

I hope that interaction between the South and North will expand in many fields based on the South-North Basic Agreement. First of all, I propose an exchange of special envoys to promote the implementation of the South-North Basic Agreement. I am ready to agree to a summit meeting, if North Korea wants.

The new Administration will strengthen close ties with ethnic Koreans overseas and will make active efforts to protect their rights. I will actively support them so that they could lead stable lives and be proud of being ethnic Koreans while fulfilling their duties and exercising their rights as citizens of their adoptive countries.

My fellow countrymen,

We are now standing at a crossroad from where we can march forward or retreat. Let us take powerful strides forward, overcoming the trials that are obstructing our path. Let us open a new age during which we will overcome the national crisis and make a new leap forward.

We are standing in the shadow of our 5,000-year history; the spirit of our forefathers are urging us on.

Just as our forefathers saved the country with indomitable will whenever they met national ordeals, let us write a great chapter in our history by overcoming today's difficulties and undertaking another leap forward. Let us turn today's crisis into a

blessing.

We can do it. The historic record of our success from the ruins of the Korean War proves it. I will take the lead. Let us resolutely march forward, hand in hand. Let us overcome the national crisis. Let us make another leap forward.

Thus, let us take the Republic of Korea to new heights of glory once more.

Thank you.

APPENDIX VII: Review of United States Policy Toward North Korea: Findings and Recommendations (15 September 1999)

Unclassified Report by Dr. William J. Perry, U.S. North Korea Policy Coordinator and Special Advisor to the President and the Secretary of State
Washington, DC, October 12, 1999

A North Korea policy review team, led by Dr. William J. Perry and working with an interagency group headed by the Counselor of the Department of State Ambassador Wendy R. Sherman, was tasked in November 1998 by President Clinton and his national security advisors to conduct an extensive review of U.S. policy toward the DPRK. This review of U.S. policy lasted approximately eight months, and was supported by a number of senior officials from the U.S. government and by Dr. Ashton B. Carter of Harvard University. The policy review team was also very fortunate to have received regular and extensive guidance from the Secretary of State, the Secretary of Defense, the National Security Advisor and senior policy advisors.

Throughout the review the team consulted with experts, both in and out of the U.S. government. Dr. Perry made a special point to travel to the Capitol to give regular status reports to Members of Congress on the progress of this review, and he benefited from comments received from Members on concepts being developed by the North Korea policy review team. The team also exchanged views with officials from many countries with interests in Northeast Asia and the Korean Peninsula, including our allies, the ROK and Japan. The team also met with prominent members of the humanitarian aid community and received a wealth of written material, solicited and unsolicited. Members of the policy review team met with many other individuals and organizations as well. In addition, the team traveled to North Korea this past May, led by Dr. Perry as President Clinton's Special Envoy, to obtain a first-hand understanding of the views of the DPRK Government.

The findings and recommendations of the North Korea Policy Review set forth below reflect the consensus that emerged from the team's countless hours of work and study.

The Need for a Fundamental Review of U.S. Policy

The policy review team determined that a fundamental review of U.S. policy was indeed needed, since much has changed in the security situation on the Korean Peninsula since the 1994 crisis.

Most important -- and the focus of this North Korea policy review -- are developments

in the DPRK's nuclear and long-range missile activities.

The Agreed Framework of 1994 succeeded in verifiably freezing North Korean plutonium production at Yongbyon -- it stopped plutonium production at that facility so that North Korea currently has at most a small amount of fissile material it may have secreted away from operations prior to 1994; without the Agreed Framework, North Korea could have produced enough additional plutonium by now for a significant number of nuclear weapons. Yet, despite the critical achievement of a verified freeze on plutonium production at Yongbyon under the Agreed Framework, the policy review team has serious concerns about possible continuing nuclear weapons-related work in the DPRK. Some of these concerns have been addressed through our access and visit to Kumchang-ni.

The years since 1994 have also witnessed development, testing, deployment, and export by the DPRK of ballistic missiles of increasing range, including those potentially capable of reaching the territory of the United States.

There have been other significant changes as well. Since the negotiations over the Agreed Framework began in the summer of 1994, formal leadership of the DPRK has passed from President Kim Il Sung to his son, General Kim Jong Il, and General Kim has gradually assumed supreme authority in title as well as fact. North Korea is thus governed by a different leadership from that with which we embarked on the Agreed Framework. During this same period, the DPRK economy has deteriorated significantly, with industrial and food production sinking to a fraction of their 1994 levels. The result is a humanitarian tragedy which, while not the focus of the review, both compels the sympathy of the American people and doubtless affects some of the actions of the North Korean regime.

An unrelated change has come to the government of the Republic of Korea (ROK) with the Presidency of Kim Dae Jung. President Kim has embarked upon a policy of engagement with the North. As a leader of great international authority, as our ally, and as the host to 37,000 American troops, the views and insights of President Kim are central to accomplishing U.S. security objectives on the Korean Peninsula. No U.S. policy can succeed unless it is coordinated with the ROK's policy. Today's ROK policy of engagement creates conditions and opportunities for U.S. policy very different from those in 1994.

Another close U.S. ally in the region, Japan, has become more concerned about North Korea in recent years. This concern was heightened by the launch, in August 1998, of a Taepo Dong missile over Japanese territory. Although the Diet has passed funding for the Light Water Reactor project being undertaken by the Korean Peninsula Energy

Development Organization (KEDO) pursuant to the Agreed Framework, and the government wants to preserve the Agreed Framework, a second missile launch is likely to have a serious impact on domestic political support for the Agreed Framework and have wider ramifications within Japan about its security policy.

Finally, while the U.S. relationship with China sometimes reflects different perspectives on security policy in the region, the policy review team learned through extensive dialogue between the U.S. and the PRC, including President Clinton's meetings with President Jiang Zemin, that China understands many of the U.S. concerns about the deleterious effects that North Korea's nuclear weapons and missile activities could have for regional and global security.

All these factors combine to create a profoundly different landscape than existed in 1994. The review team concurred strongly with President Clinton's judgment that these changed circumstances required a comprehensive review such as the one that the President and his team of national security advisors asked the team to conduct. The policy review team also recognized the concerns of Members of Congress that a clear path be charted for dealing with North Korea, and that there be closer cooperation between the executive and legislative branches on this issue of great importance to our security. The review team shared these concerns and has tried hard to be responsive to them.

Assessment of the Security Situation on the Korean Peninsula

In the course of the review, the policy team conferred with U.S. military leaders and allies, and concluded that, as in 1994, U.S. forces and alliances in the region are strong and ready. Indeed, since 1994, the U.S. has strengthened both its own forces and its plans and procedures for combining forces with allies. We are confident that allied forces could and would successfully defend ROK territory. We believe the DPRK's military leaders know this and thus are deterred from launching an attack.

However, in sharp contrast to the Desert Storm campaign in Kuwait and Iraq, war on the Korean Peninsula would take place in densely populated areas. Considering the million-man DPRK army arrayed near the DMZ, the intensity of combat in another war on the Peninsula would be unparalleled in U.S. experience since the Korean War of 1950-53. It is likely that hundreds of thousands of persons -- U.S., ROK, and DPRK -- military and civilian -- would perish, and millions of refugees would be created. While the U.S. and ROK of course have no intention of provoking war, there are those in the DPRK who believe the opposite is true. But even they must know that the prospect of such a destructive war is a powerful deterrent to precipitous U.S. or allied action.

Under present circumstances, therefore, deterrence of war on the Korean Peninsula is stable on both sides, in military terms. While always subject to miscalculation by the isolated North Korean government, there is no military calculus that would suggest to the North Koreans anything but catastrophe from armed conflict. This relative stability, if it is not disturbed, can provide the time and conditions for all sides to pursue a permanent peace on the Peninsula, ending at last the Korean War and perhaps ultimately leading to the peaceful reunification of the Korean people. This is the lasting goal of U.S. policy.

However, acquisition by the DPRK of nuclear weapons or long-range missiles, and especially the combination of the two (a nuclear weapons device mounted on a long-range missile), could undermine this relative stability. Such weapons in the hands of the DPRK military might weaken deterrence as well as increase the damage if deterrence failed. Their effect would, therefore, be to undermine the conditions for pursuing a relaxation of tensions, improved relations, and lasting peace. Acquisition of such weapons by North Korea could also spark an arms race in the region and would surely do grave damage to the global nonproliferation regimes covering nuclear weapons and ballistic missiles. A continuation of the DPRK's pattern of selling its missiles for hard currency could also spread destabilizing effects to other regions, such as the Middle East.

The review team, therefore, concluded that the urgent focus of U.S. policy toward the DPRK must be to end its nuclear weapons and long-range missile-related activities. This focus does not signal a narrow preoccupation with nonproliferation over other dimensions of the problem of security on the Korean Peninsula, but rather reflects the fact that control of weapons of mass destruction is essential to the pursuit of a wider form of security so badly needed in that region.

As the United States faces the task of ending these weapons activities, any U.S. policy toward North Korea must be formulated within three constraining facts:

First, while logic would suggest that the DPRK's evident problems would ultimately lead its regime to change, there is no evidence that change is imminent. United States policy must, therefore, deal with the North Korean government as it is, not as we might wish it to be.

Second, the risk of a destructive war to the 37,000 American service personnel in Korea and the many more that would reinforce them, to the inhabitants of the Korean Peninsula both South and North, and to U.S. allies and friends in the region dictate that the United States pursue its objectives with prudence and patience.

Third, while the Agreed Framework has critics in the United States, the ROK, and Japan

-- and indeed in the DPRK -- the framework has verifiably frozen plutonium production at Yongbyon. It also served as the basis for successful discussions we had with the North earlier this year on an underground site at Kumchang-ni -- one that the U.S. feared might have been designed as a substitute plutonium production facility. Unfreezing Yongbyon remains the North's quickest and surest path to nuclear weapons. U.S. security objectives may therefore require the U.S. to supplement the Agreed Framework, but we must not undermine or supplant it.

Perspectives of Countries in the Region

The policy review team consulted extensively with people outside of the Administration to better understand the perspectives of countries in the region. These perspectives are summarized below.

Republic of Korea. The ROK's interests are not identical to those of the U.S., but they overlap in significant ways. While the ROK is not a global power like the United States and, therefore, is less active in promoting nonproliferation worldwide, the ROK recognizes that nuclear weapons in the DPRK would destabilize deterrence on the Peninsula. And while South Koreans have long lived within range of North Korean SCUD ballistic missiles, they recognize that North Korea's new, longer-range ballistic missiles present a new type of threat to the United States and Japan. The ROK thus shares U.S. goals with respect to DPRK nuclear weapons and ballistic missiles. The South also has concerns, such as the reunion of families separated by the Korean War and implementation of the North-South Basic Agreement (including reactivation of North-South Joint Committees). The U.S. strongly supports these concerns.

President Kim Dae Jung's North Korea policy, known as the "engagement" policy, marked a fundamental shift toward the North. Under the Kim formulation, the ROK has forsworn any intent to undermine or absorb the North and has pursued increased official and unofficial North-South contact. The ROK supports the Agreed Framework and the ROK's role in KEDO, but the ROK National Assembly, like our Congress, is carefully scrutinizing DPRK behavior as it considers funding for KEDO.

Japan. Like the ROK, Japan's interests are not identical to those of the U.S., but they overlap strongly. The DPRK's August 1998 Taepo Dong missile launch over the Japanese islands abruptly increased the already high priority Japan attaches to the North Korea issue. The Japanese regard DPRK missile activities as a direct threat. In bilateral talks with Japan, the DPRK representatives exacerbate historic animosities by

repeatedly referring to Japan's occupation of Korea earlier in this century. For these reasons, support for Japan's role in KEDO is at risk in the Diet. The government's ability to sustain the Agreed Framework in the face of further DPRK missile launches is not assured, even though a collapse of the Agreed Framework could lead to nuclear warheads on DPRK missiles, dramatically increasing the threat they pose. Japan also has deep-seated concerns, such as the fate of missing persons suspected of being abducted by the DPRK. The U.S. strongly supports these concerns.

China. China has a strong interest in peace and stability on the Korean Peninsula and is aware of the implications of increased tension on the peninsula. China also realizes that DPRK ballistic missiles are an important impetus to U.S. national missile defense and theater missile defenses, neither of which is desired by China. Finally, China realizes that DPRK nuclear weapons could provoke an arms race in the region and undermine the nonproliferation regime which Beijing, as a nuclear power, has an interest in preserving. For all these reasons the PRC concerns with North Korean nuclear weapons and ballistic missile programs are in many ways comparable to U.S. concerns. While China will not coordinate its policies with the U.S., ROK, and Japan, it is in China's interest to use its own channels of communication to discourage the DPRK from pursuing these programs.

The DPRK. Based on extensive consultation with the intelligence community and experts around the world, a review of recent DPRK conduct, and our discussions with North Korean leaders, the policy review team formed some views of this enigmatic country. But in many ways the unknowns continue to outweigh the knowns. Therefore, we want to emphasize here that no U.S. policy should be based solely on conjectures about the perceptions and future behavior of the DPRK.

Wrapped in an overriding sense of vulnerability, the DPRK regime has promoted an intense devotion to self-sufficiency, sovereignty, and self-defense as the touchstones for all rhetoric and policy. The DPRK views efforts by outsiders to promote democratic and market reforms in its country as an attempt to undermine the regime. It strongly controls foreign influence and contact, even when they offer relief from the regime's severe economic problems. The DPRK appears to value improved relations with US, especially including relief from the extensive economic sanctions the U.S. has long imposed.

Key Findings

The policy review team made the following key findings, which have formed the basis

for our recommendations:

1. DPRK acquisition of nuclear weapons and continued development, testing, deployment, and export of long-range missiles would undermine the relative stability of deterrence on the Korean Peninsula, a precondition for ending the Cold War and pursuing a lasting peace in the longer run. These activities by the DPRK also have serious regional and global consequences adverse to vital U.S. interests. The United States must, therefore, have as its objective ending these activities.
2. The United States and its allies would swiftly and surely win a second war on the Korean Peninsula, but the destruction of life and property would far surpass anything in recent American experience. The U.S. must pursue its objectives with respect to nuclear weapons and ballistic missiles in the DPRK without taking actions that would weaken deterrence or increase the probability of DPRK miscalculation.
3. If stability can be preserved through the cooperative ending of DPRK nuclear weapons- and long-range missile-related activities, the U.S. should be prepared to establish more normal diplomatic relations with the DPRK and join in the ROK's policy of engagement and peaceful coexistence.
4. Unfreezing Yongbyon is North Korea's quickest and surest path to acquisition of nuclear weapons. The Agreed Framework, therefore, should be preserved and implemented by the United States and its allies. With the Agreed Framework, the DPRK's ability to produce plutonium at Yongbyon is verifiably frozen. Without the Agreed Framework, however, it is estimated that the North could reprocess enough plutonium to produce a significant number of nuclear weapons per year. The Agreed Framework's limitations, such as the fact that it does not verifiably freeze all nuclear weapons-related activities and does not cover ballistic missiles, are best addressed by supplementing rather than replacing the Agreed Framework.
5. No U.S. policy toward the DPRK will succeed if the ROK and Japan do not actively support it and cooperate in its implementation. Securing such trilateral coordination should be possible, since the interests of the three parties, while not identical, overlap in significant and definable ways.
6. Considering the risks inherent in the situation and the isolation, suspicion, and negotiating style of the DPRK, a successful U.S. policy will require steadiness and persistence even in the face of provocations. The approach adopted now must be sustained into the future, beyond the term of this Administration. It is, therefore, essential that the policy and its ongoing implementation have the broadest possible support and the continuing involvement of the Congress.

Alternative Policies Considered and Rejected

In the course of the review, the policy team received a great deal of valuable advice, including a variety of proposals for alternative strategies with respect to the security problems presented by the DPRK. The principal alternatives considered by the review team, and the team's reasons for rejecting them in favor of the recommended approach, are set forth below.

Status Quo. A number of policy experts outside the Administration counseled continuation of the approach the U.S. had taken to the DPRK over the past decade: strong deterrence through ready forces and solid alliances and limited engagement with the DPRK beyond existing negotiations on missiles, POW/MIA, and implementation of the nuclear-related provisions of the Agreed Framework. These experts counseled that with the Agreed Framework being verifiably implemented at Yongbyon, North Korea could be kept years away from obtaining additional fissile material for nuclear weapons. Without nuclear weapons, the DPRK's missile program could safely be addressed within the existing (albeit to date inconclusive) bilateral missile talks. Thus, as this argument ran, core U.S. security objectives were being pursued on a timetable appropriate to the development of the threat, and no change in U.S. policy was required.

While there are advantages to continuing the status quo -- since to this point it has served U.S. security interests -- the policy review team rejected the status quo. It was rejected not because it has been unacceptable from the point of view of U.S. security interests, but rather because the policy team feared it was not sustainable. Aside from a failure to address U.S. concerns directly, it is easy to imagine circumstances that would bring the status quo rapidly to a crisis. For example, a DPRK long-range missile launch, whether or not in the form of an attempt to place a satellite in orbit, would have an impact on political support for the Agreed Framework in the United States, Japan, and even in the ROK. In this circumstance, the DPRK could suspend its own compliance with the Agreed Framework, unfreezing Yongbyon and plunging the Peninsula into a nuclear crisis like that in 1994. Such a scenario illustrates the instability of the status quo. Thus, the U.S. may not be able to maintain the status quo, even if we wanted to.

Undermining the DPRK. Others recommend a policy of undermining the DPRK, seeking to hasten the demise of the regime of Kim Jong Il. The policy review team likewise studied this possibility carefully and, in the end, rejected it for several reasons. Given the strict controls on its society imposed by the North Korean regime and the apparent absence of any organized internal resistance to the regime, such a strategy

would at best require a long time to realize, even assuming it could succeed. The timescale of this strategy is, therefore, inconsistent with the timescale on which the DPRK could proceed with nuclear weapons and ballistic missile programs. In addition, such a policy would risk destructive war and would not win the support of U.S. allies in the region upon whom success in deterring such a war would depend. Finally, a policy of pressure might harm the people of North Korea more than its government.

Reforming the DPRK. Many other analysts suggest that the United States should promote the accelerated political and economic reform of the DPRK along the lines of established international practice, hastening the advent of democracy and market reform that will better the lot of the North's people and provide the basis for the DPRK's integration into the international community in a peaceful fashion. However much we might wish such an outcome, success of the policy clearly would require DPRK cooperation. But, the policy team believed that the North Korean regime would strongly resist such reform, viewing it as indistinguishable from a policy of undermining. A policy of reforming, like a policy of undermining, would also take time -- more time than it would take the DPRK to proceed with its nuclear weapons and ballistic missile programs.

"Buying" Our Objectives. In its current circumstance of industrial and agricultural decline, the DPRK has on occasion indicated a willingness to "trade" addressing U.S. concerns about its nuclear weapons activities and ballistic missile exports for hard currency. For example, the DPRK offered to cease its missile exports if the U.S. agreed to compensate it for the foregone earnings from missile exports. The policy review team firmly believed that such a policy of trading material compensation for security would only encourage the DPRK to further blackmail, and would encourage proliferators worldwide to engage in similar blackmail. Such a strategy would not, and should not, be supported by the Congress, which controls the U.S. government's purse strings.

A Comprehensive and Integrated Approach: A Two-Path Strategy

A better alternative, and the one the review has recommended, is a two-path strategy focused on our priority concerns over the DPRK's nuclear weapons- and missile-related activities. We have devised this strategy in close consultation with the governments of the ROK and Japan, and it has their full support. Indeed, it is a joint strategy in which all three of our countries play coordinated and mutually reinforcing roles in pursuit of the same objectives. Both paths aim to protect our key security interests; the first path is

clearly preferable for the United States and its allies and, we firmly believe, for the DPRK.

The first path involves a new, comprehensive and integrated approach to our negotiations with the DPRK. We would seek complete and verifiable assurances that the DPRK does not have a nuclear weapons program. We would also seek the complete and verifiable cessation of testing, production and deployment of missiles exceeding the parameters of the Missile Technology Control Regime, and the complete cessation of export sales of such missiles and the equipment and technology associated with them. By negotiating the complete cessation of the DPRK's destabilizing nuclear weapons and long-range missile programs, this path would lead to a stable security situation on the Korean Peninsula, creating the conditions for a more durable and lasting peace in the long run and ending the Cold War in East Asia.

On this path the United States and its allies would, in a step-by-step and reciprocal fashion, move to reduce pressures on the DPRK that it perceives as threatening. The reduction of perceived threat would in turn give the DPRK regime the confidence that it could coexist peacefully with us and its neighbors and pursue its own economic and social development. If the DPRK moved to eliminate its nuclear and long-range missile threats, the United States would normalize relations with the DPRK, relax sanctions that have long constrained trade with the DPRK and take other positive steps that would provide opportunities for the DPRK.

If the DPRK were prepared to move down this path, the ROK and Japan have indicated that they would also be prepared, in coordinated but parallel tracks, to improve relations with the DPRK.

It is important that all sides make contributions to creating an environment conducive to success in such far-ranging talks. The most important step by the DPRK is to give assurances that it will refrain from further test firings of long-range missiles as we undertake negotiations on the first path. In the context of the DPRK suspending such tests, the review team recommended that the United States ease, in a reversible manner, Presidentially-mandated trade embargo measures against the DPRK. The ROK and Japan have also indicated a willingness to take positive steps in these circumstances.

When the review team, led by Dr. Perry as a Presidential Envoy, visited Pyongyang in May, the team had discussions with DPRK officials and listened to their views. We also discussed these initial steps that would create a favorable environment for conducting comprehensive and integrated negotiations. Based on talks between with Ambassador Charles Kartman and DPRK Vice Foreign Minister Kim Gye Gwan in early September, the U.S. understood and expected that the DPRK would suspend long-range missile

testing -- to include both No Dong and Taepo Dong missiles -- for as long as U.S.-DPRK discussions to improve relations continued. The DPRK subsequently announced a unilateral suspension of such tests while talks between the two countries continued. Accordingly, the Administration has taken steps to ease sanctions. This fall a senior DPRK official will likely visit Washington to reciprocate the Perry visit and continue discussions on improving relations. Both sides have taken a bold and meaningful step along the first path. While it is only an initial step, and both sides can easily reverse this first step, we are hopeful that it begins to take us down the long but important path to reducing threat on the Korean Peninsula.

While the first path devised by the review holds great promise for U.S. security and for stability in East Asia, and while the initial steps taken in recent weeks give us great hope, the first path depends on the willingness of the DPRK to traverse it with us. The review team is hopeful it will agree to do so, but on the basis of discussions to date we cannot be sure the DPRK will. Prudence therefore dictated that we devise a second path, once again in consultation with our allies and with their full support. On the second path, we would need to act to contain the threat that we have been unable to eliminate through negotiation. By incorporating two paths, the strategy devised in the review avoids any dependence on conjectures regarding DPRK intentions or behavior and neither seeks, nor depends upon for its success, a transformation of the DPRK's internal system.

If North Korea rejects the first path, it will not be possible for the United States to pursue a new relationship with the DPRK. In that case, the United States and its allies would have to take other steps to assure their security and contain the threat. The U.S. and allied steps should seek to keep the Agreed Framework intact and avoid, if possible, direct conflict. But they would also have to take firm but measured steps to persuade the DPRK that it should return to the first path and avoid destabilizing the security situation in the region.

Our recommended strategy does not immediately address a number of issues outside the scope of direct U.S.-DPRK negotiations, such as ROK family reunification, implementation of the North-South Basic Agreement (including reactivation of North-South Joint Committees) and Japanese kidnapping cases, as well as other key issues of concern, including drug trafficking. However, the policy review team believed that all of these issues should be, and would be, seriously addressed as relations between the DPRK and the U.S. improve.

Similarly, the review team believed the issue of chemical and biological weapons is best addressed multilaterally. Many recommendations have also been made with respect to Korean unification; but, ultimately, the question of unification is something for the

Korean people to decide. Finally, the policy review team strongly believed that the U.S. must not withdraw any of its forces from Korea -- a withdrawal would not contribute to peace and stability, but rather undermine the strong deterrence currently in place.

Advantages of the Proposed Strategy

The proposed strategy has the following advantages:

1. Has the full support of our allies. No U.S. policy can be successful if it does not enjoy the support of our allies in the region. The overall approach builds upon the South's policy of engagement with North Korea, as the ROK leadership suggested to Dr. Perry directly and to the President. It also puts the U.S. effort to end the DPRK missile program on the same footing with U.S. efforts to end its nuclear weapons program, as the Government of Japan recommended.
2. Draws on U.S. negotiating strengths. Pursuant to the recommended approach, the United States will be offering the DPRK a comprehensive relaxation of political and economic pressures which the DPRK perceives as threatening to it and which are applied, in its view, principally by the United States. This approach complements the positive steps the ROK and Japan are prepared to take. On the other hand, the United States will not offer the DPRK tangible "rewards" for appropriate security behavior; doing so would both transgress principles that the United States values and open us up to further blackmail.
3. Leaves stable deterrence of war unchanged. No changes are recommended in our strong deterrent posture on the Korean Peninsula, and the U.S. should not put its force posture on the negotiating table. Deterrence is strong in both directions on the Korean Peninsula today. It is the North's nuclear weapons- and long-range missile-related activities that threaten stability. Likewise, the approach recommended by the review will not constrain U.S. Theater Missile Defense programs or the opportunities of the ROK and Japan to share in these programs; indeed, we explicitly recommended that no such linkage should be made.
4. Builds on the Agreed Framework. The approach recommended seeks more than the Agreed Framework provides. Specifically, under the recommended approach the U.S. will seek a total and verifiable end to all nuclear weapons-related activities in the DPRK, and the U.S. will be addressing the DPRK's long-range missile programs, which are not covered by the Agreed Framework. In addition, the U.S. will seek to traverse the broader path to peaceful relations foreseen by both the U.S. and the DPRK in the Agreed Framework, and incorporated in its text.
5. Aligns U.S. and allied near-term objectives with respect to the DPRK's nuclear and

missile activities with our long-term objectives for lasting peace on the Korean Peninsula. The recommended approach focuses on the near-term dangers to stability posed by the DPRK's nuclear weapons- and missile-related activities, but it aims to create the conditions for lasting peace on the Korean Peninsula in the longer run, as the U.S. seeks through the Four Party Talks. As noted above, the recommended approach also seeks to realize the long-term objectives of the Agreed Framework, which are to move beyond cooperation in the nuclear field to broader, more normal U.S.-DPRK relations.

6. Does not depend on specific North Korean behavior or intent. The proposed strategy is flexible and avoids any dependence on conjectures or assumptions regarding DPRK intentions or behavior -- benign or provocative. Again, it neither seeks, nor depends upon, either such intentions or a transformation of the DPRK's internal system for success. Appropriate contingencies are built into the recommended framework.

Key Policy Recommendations

In the context of the recommendations above, the review team offered the following five key policy recommendations:

1. Adopt a comprehensive and integrated approach to the DPRK's nuclear weapons- and ballistic missile-related programs, as recommended by the review team and supported by our allies in the region. Specifically, initiate negotiations with the DPRK based on the concept of mutually reducing threat; if the DPRK is not receptive, we will need to take appropriate measures to protect our security and those of our allies.
2. Create a strengthened mechanism within the U.S. Government for carrying out North Korea policy. Operating under the direction of the Principals Committee and Deputies Committee, a small, senior-level interagency North Korea working group should be maintained, chaired by a senior official of ambassadorial rank, located in the Department of State, to coordinate policy with respect to North Korea.
3. Continue the new mechanism established last March to ensure close coordination with the ROK and Japan. The Trilateral Coordination and Oversight Group (TCOG) -- established during this policy review and consisting of senior officials of the three governments -- is charged with managing policy toward the DPRK. This group should meet regularly to coordinate negotiating strategy and overall policy toward the DPRK and to prepare frequent consultations on this issue between the President and the ROK President and Japanese Prime Minister. The U.S. delegation should be headed by the senior official coordinating North Korea policy.
4. Take steps to create a sustainable, bipartisan, long-term outlook toward the problem

of North Korea. The President should explore with the majority and minority leaders of both houses of Congress ways for the Hill, on a bipartisan basis, to consult on this and future Administrations' policy toward the DPRK. Just as no policy toward the DPRK can succeed unless it is a combined strategy of the United States and its allies, the policy review team believes no strategy can be sustained over time without the input and support of Congress.

5. Approve a plan of action prepared for dealing with the contingency of DPRK provocations in the near term, including the launch of a long-range missile. The policy review team notes that its proposed responses to negative DPRK actions could have profound consequences for the Peninsula, the U.S. and our allies. These responses should make it clear to the DPRK that provocative actions carry a heavy penalty. Unless the DPRK's acts transgress provisions of the Agreed Framework, however, U.S. and allied actions should not themselves undermine the Agreed Framework. To do so would put the U.S. in the position of violating the Agreed Framework, opening the path for the DPRK to unfreeze Yongbyon and return us to the crisis of the summer of 1994.

Concluding Thoughts

The team's recommended approach is based on a realistic view of the DPRK, a hardheaded understanding of military realities and a firm determination to protect U.S. interests and those of our allies.

We should recognize that North Korea may send mixed signals concerning its response to our recommended proposal for a comprehensive framework and that many aspects of its behavior will remain reprehensible to us even if we embark on this negotiating process. We therefore should prepare for provocative contingencies but stay the policy course with measured actions pursuant to the overall framework recommended. The North needs to understand that there are certain forms of provocative behavior that represent a direct threat to the U.S. and its allies and that we will respond appropriately. In this regard, it is with mixed feelings that we recognize certain provocative behavior of the DPRK may force the U.S. to reevaluate current aid levels.

Finally, and to close this review, we need to point out that a confluence of events this past year has opened what we strongly feel is a unique window of opportunity for the U.S. with respect to North Korea. There is a clear and common understanding among Seoul, Tokyo, and Washington on how to deal with Pyongyang. The PRC's strategic goals -- especially on the issue of North Korean nuclear weapons and related missile delivery systems -- overlap with those of the U.S. Pyongyang appears committed to the Agreed Framework and for the time being is convinced of the value of improving

relations with the U.S. However, there are always pressures on these positive elements. Underlying tensions and suspicions have led to intermittent armed clashes and incidents and affect the political environment. Efforts to establish the diplomatic momentum necessary to withstand decades of hostility become increasingly difficult and eventually stall. Nevertheless, the year 1999 may represent, historically, one of our best opportunities to deal with key U.S. security concerns on the Korean Peninsula for some time to come.

Appendix VIII: President Kim Dae-jung's Berlin Declaration (9 March 2000)

President Gaechtsgens, faculty members, honorable guests, and students of the Free University of Berlin,

First and foremost, I would like to express my deepest respect for and heartfelt congratulations to the great nation of Germany which has achieved the historic task of reunification and prosperity overcoming the ruins of war and division of the territory. It is quite meaningful for me to talk about the "Lessons of the German Reunification and the Korean Peninsula" with the distinguished faculty and students of the Free University of Berlin. I appreciate very much the friendly welcome you have accorded me.

I am well aware of the historical fact that, ever since its opening in 1948, this University and its graduates played a leading role in promoting reconciliation and cooperation between East and West Germany and in their eventual unification. Today, I came here to learn about your experiences, which is extremely important for a President of Korea which is still divided.

Germany and Korea share similar pains and success. In modern history, both experienced tragic wars and the subsequent division of the land. Then Germany created the Miracle on the Rhine and Korea, the Miracle on the Han River.

During the past two years, Korea was hit with a serious economic crisis that swept the Asian region. Again, Korea has overcome the difficulties in cooperation with Germany and many other friendly countries. When the foreign exchange crisis hit Korea at the end of 1997, the foreign exchange reserves had hit rock bottom at US\$3.9 billion; in a matter of two years, the figure now stands at a respectable US\$80 billion. During 1998, the Korean economy was reduced to a growth rate of minus 5.8 percent; however, it made a dramatic turnaround last year by recording a 10.2 percent annual rate. Prices, interest rates and the foreign exchange and stock markets have recovered stability. The unemployment rate is expected to be stabilized at 4 percent by the end of this year.

In addition to building a viable economy in a short time, Korea and Germany also have the common experience of developing and protecting freedom and democracy. Our two countries may be far apart geographically, but we share so many things historically and in

today's world. That is why the Korean people feel a sense of solidarity with and affection toward Germans.

Distinguished faculty members and students,

As the 20th century which was plagued with confrontation and conflicts is left behind, the new millennium is being greeted with fresh hope for conciliation, cooperation and common prosperity. The 20th century also saw the Soviet and East European system crumble, the 50-year Cold War dismantled, and the two Germanies integrated. The remaining Communist countries of China and Vietnam have introduced a market economy and are attempting reforms and changes. To the Republic of Korea, China and Vietnam are no longer hostile countries. In fact, they have become very good friends as well as partners in economic cooperation.

Despite all this change, the Korean Peninsula today remains the last vestige of the Cold-War legacy. It is regrettable that the historic world-wide change has failed to produce an impact on the peninsula mainly because of North Korea's stubborn closed-door policies.

Faced with such an unfavorable attitude by North Korea, my Administration has never relaxed its efforts to put an end to the structure of confrontation and bring permanent peace to the peninsula. Peace on the peninsula is essential to peace and stability in Northeast Asia and the world as a whole. In this regard, we are very eager to learn from your experiences. German reunification and the relations between East and West Germany in the intervening years should provide very valuable precepts in carrying out my country's North Korea policies.

The first lesson we seem to be learning from the German experience is that unification was possible because of West Germany's enormous potential which was derived from democracy and a market economy. The confrontation between the two Germanies represented competition between the two, one upholding democracy and a market economy and the other advocating Communism and socialism.

Second, West Germany pushed Ostpolitik, aimed at bringing about changes through contact and dialogue and building a system of detente and coexistence. The country's consistent policy of promoting cooperation and exchanges resulted in a lessening of suspicion and mistrust by East Germany and a reduction in ideological tensions.

Third, West Germany approached the question of reunification with sincerity and faithfulness and took steps to assuage the unwarranted worries of neighboring countries. Its diplomacy was so successful as to obtain understanding and cooperation from even the Soviet Union and many East European countries.

Fourth, the West German Government pushed reconciliation, cooperation and exchanges with East Germany patiently and faithfully, overcoming many difficulties and limitations, real and otherwise.

The German experiences shed bright light on Korea's Sunshine Policy toward Pyongyang. For many decades, I have advocated the step-by-step reunification of Korea, moving gradually from peaceful coexistence to peaceful exchanges and then to peaceful reunification. In the process, I had valuable exchanges of ideas with my good friend and former Chancellor Willy Brandt, for whom I have utmost respect, former President von Weizsacker, and former Foreign Minister Genscher. I learned tremendously from West German policies toward East Germany and from the developments since German unification.

Another lesson I learned from German unification is how difficult the process of relieving the economic discrepancies and psychological friction between the two parts of the country is. Koreans were so elated when we first heard about German reunification. But then we were also disheartened by several developments after unification. The first shock we felt was the enormity of the expenses required for integrating the two parts. We heard that the unified German Government ended up spending 10 times more than the 200 billion marks originally set aside for that purpose. We also hear that the economic disparity between the two regions is yet to be eliminated. The second shocking news is that there is still a lingering psychological distance between the two parts.

At the time of reunification, the West German economy was much bigger than Korea's. Furthermore, it had never fought a war with East Germany, and of course, unification was preceded by many cooperative exchanges. Now, those German experiences made us think about our reunification harder. Right now, the South Korean economy is not big enough to support North Korea. We fought a bitter war with North Korea and military confrontation is still tense. Moreover, during the Weimar Republic, all the German

people lived in a full-fledged democracy. By contrast, the North Koreans have no experience of living in a free society; they have, all along, been isolated from the outside world. When those things are considered, it seems out of the question that we should hasten territorial reunification.

Therefore, instead of hurrying to achieve immediate reunification, the most realistic and reasonable approach seems to be to work for the elimination of the ever-present threats of conflict first and then to pursue reconciliation, cooperation, coexistence and coprosperity. Any attempt to reunify the divided land should come after that.

In 1995, I wrote a book, *Three-Stage Approach to Korean Reunification*. The first step would be to establish a union of two states. The second would be a federal system under which the South and North would establish local autonomous administrative units. The third and final step would be to complete unification. Former Chancellor Willy Brandt and many other German leaders gave me enthusiastic support and encouragement for this approach.

Professors and students of the Free University of Berlin,

Since I was inaugurated, I have repeatedly stated three principles to North Korea which is still hesitant in opening up and changing their attitude. The first one is that South Korea will not tolerate any armed provocation from the North. Second, the Republic will not try to harm the North in any way or absorb it. Third, the South and North should cooperate and become reconciled. These principles are the crux of my Sunshine Policy aimed at dismantling the Cold-War legacy. We will continue to maintain a firm defense capability, the sole purpose of which is to support goodwill, cooperation and peace on the peninsula.

In the same vein, the Republic is making three important promises to Pyongyang--to guarantee their national security, assist in their economic recovery efforts, and actively support them in international arena. In return, the Republic wants three guarantees from Pyongyang: First, the North must abandon any armed provocation against the South once and for all; second, it must comply with its previous promises not to develop nuclear weapons; and third, it must give up ambitions to develop long-range missiles. My approach is the comprehensive settlement of all major pending issues based on the principle of give and take or reciprocity. This set of proposals, which is closely coordinated among Korea, the U.S. and Japan, has been presented to Pyongyang. I am

certain that this is a win-win policy that should benefit all parties concerned.

The comprehensive settlement policy is supported by Germany and virtually all other countries of the world. Even China, Russia and Vietnam, which have been North Korea's traditional allies, are now supporting our position actively. This kind of universal support effectively eliminates a substantial part of the menace to the peace and stability of the Korean Peninsula.

We do not want another war with North Korea. We want to coexist with it and intend to help it. Whenever we witness the tragic scene of hungry North Koreans on TV, we are devastated. We want to help North Korea feed their citizens adequately. We want to help it recover from the deep economic slump and improve its standard of living. Currently, there is no government-to-government dialogue because of Pyongyang's reluctance. But my Administration is aggressively encouraging private sector cooperation and exchanges. We welcome and encourage all international efforts to increase exchanges with Pyongyang.

As a result of these efforts, non-governmental cooperation with the North is expanding in numerous areas, including the economy, culture and sports. More than 180,000 South Korean tourists visited the famous Kumgangsan, or Diamond Mountains, in the North in recent years. Inter-Korean trade registered a record high of US\$340 million last year. More than 100 small- and medium-size companies from the South are engaged in business in the North. Big businesses are investing in the North or negotiating to open operations there. It is likely that investment from some big businesses from Seoul will enable North Korea to build a large West Coast industrial park this year and start producing electronic appliance and automobiles. Cultural and sports exchanges are rather lively, too.

In the meantime, the U.S. and North Korea held talks right here in Berlin last year and decided to have high-level talks in the near future. Japan, too, is actively seeking to improve its relations with Pyongyang. Italy and North Korea have agreed to set up diplomatic ties. We hope that many nations will improve relations with the North. Through open interaction with the global economy, North Korea will emerge as a responsible member of the international community, contribute to the stability of the peninsula, and develop its economy efficiently.

Faculty members and students,

On this significant day of my visit to the Free University of Berlin, I appeal to all concerned to help bring down the Cold-War structure on the Korean Peninsula. I make the following suggestions in an effort to establish permanent peace and realize reconciliation and cooperation with North Korea.

First, the Government of the Republic of Korea is ready to help North Korea tide over its economic difficulties. Presently, private-sector economic cooperation is underway under the principle of separating the economy and politics. However, to realize meaningful economic collaboration, the social infrastructure, including highways, harbors, railroads and electric and communications facilities, must be expanded. The Governments of the two Koreas have important roles to play, including conclusion of bilateral agreements regarding investment guarantees and prevention of double taxation, so that private businesses will be able to invest in a secure environment. The severe food shortage that faces North Korea now cannot be solved by merely supplying food. A fundamental solution requires comprehensive reforms in the delivery of quality fertilizers, agricultural equipment, irrigation systems and other elements of a structural nature.

Private businesses can do only so much in expanding the social infrastructure, promoting a favorable investment environment and reforming the overall agricultural set-up. The time is ripe for government-to-government cooperation. The Government of the Republic is ready to respond positively to any North Korean request in this regard.

Second, at the present stage, our immediate objective is to put an end to the Cold-War confrontation and settle peace, rather than attempting to accomplish reunification. The Government of the Republic intends to do its best to lend assistance to North Korea in the spirit of genuine reconciliation and cooperation. We urge the Pyongyang authorities to accept our goodwill without any reservation, come forward and respond to our offer to cooperate and be reconciled.

Third, North Korea should respond to our call for arranging reunions of relatives separated in the different parts of the divided land. We cannot afford to lose precious time any longer, considering the fact that many elderly family members are passing away.

Fourth, to effectively deal with various pending issues, the government authorities of the two Koreas should open a dialogue without delay. In my inaugural speech, I proposed to the North that Seoul and Pyongyang exchange special envoys to implement the Basic South-North Agreement concluded in 1991. I reiterate that North Korea should respond positively to this proposal.

We believe that ultimately the issues involving the Korean Peninsula should be solved by the government authorities of the two Koreas. The Government of the Republic will adhere to this principle with consistency and patience. At the same time, we have high expectation that Germany and other members of the international community will support and encourage cooperation and reconciliation between the South and North and help bring down the Cold-War structure on the peninsula at the earliest possible date.

Faculty members and students,

There is a saying in Korea that "those who suffer from the same illness understand each other the best." Korea and Germany have suffered the same kind of pain--the division of the land. The two peoples have empathy for each other. Koreans have tremendous respect for the Germans who overcame the pain and achieved the great task of reunification first. You are our role model.

That is not all. Germany gave the Korean people the most encouragement when they were groaning under the oppression of military dictators. During the long struggle against the dictators, I encountered near-death situations five times and was imprisoned for six years. For another 30 years, I was subjected to exile, house arrest and constant police surveillance. Through those trying years, German leaders and citizens all along supported me and other democracy fighters with all their heart. I am so grateful for that.

Now, democracy has finally arrived in Korea. But we still have the great national task of realizing reunification of the divided land. I am confident that Germany will give us the same kind of encouragement until the day of Korean reunification. At the same time, you can be assured that the Korean people will continue to remain the most faithful friends of Germany. Together with the great German people and the bright minds of the Free University of Berlin, we intend to march forward to open a new millennium of peace.

Appendix IX: The South-North Joint Declaration (15 June 2000)

In accordance with the noble will of the entire people who yearn for the peaceful reunification of the nation, President Kim Dae-jung of the Republic of Korea and National Defense Commission Chairman Kim Jong-il of the Democratic People's Republic of Korea held a historic meeting and summit talks in Pyongyang from June 13-15, 2000.

The leaders of the South and North, recognizing that the meeting and the summit talks, the first since the division of the country, were of great significance in promoting mutual understanding, developing South-North relations and realizing peaceful reunification, declared as follows:

1. The South and North have agreed to resolve the question of reunification on their own Initiative and through the joint efforts of the Korean people, who are the masters of the country.
2. Acknowledging that there are common elements in the South's proposal for a confederation and the North's proposal for a federation of lower stage as the formulae for achieving reunification, the South and the North agreed to promote reunification in that direction.
3. The South and North have agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of the August 15 National Liberation Day and the question of former long-term prisoners who had refused to renounce Communism.
4. The South and North have agreed to consolidate mutual trust by promoting balanced development of the national economy through economic cooperation and by stimulating cooperation and exchanges in civic, cultural, sports, public health, environmental and all other fields.
5. The South and North have agreed to hold a dialogue between relevant authorities in the near future to implement the above agreement expeditiously.

President Kim Dae-jung cordially invited National Defense Commission Chairman Kim Jong-il to visit Seoul, and Chairman Kim Jong-il decided to visit Seoul at an appropriate time.

June 15, 2000

Kim Dae-jung
President

Kim Jong-il
Chairman

The Republic of Korea

**National Defense Commission
The Democratic People's Republic of
Korea**

Appendix X: U.S.-D.P.R.K. Joint Communiqué (12 October 2000)

As the special envoy of Chairman Kim Jong Il of the D.P.R.K. National Defense Commission, the First Vice Chairman, Vice Marshal Jo Myong Rok, visited the United States of America from October 9-12, 2000.

During his visit, Special Envoy Jo Myong Rok delivered a letter from National Defense Commission Chairman Kim Jong Il, as well as his views on U.S.-D.P.R.K. relations, directly to U.S. President William Clinton. Special Envoy Jo Myong Rok and his party also met with senior officials of the U.S. Administration, including his host Secretary of State Madeleine Albright and Secretary of Defense William Cohen, for an extensive exchange of views on issues of common concern. They reviewed in depth the new opportunities that have opened up for improving the full range of relations between the United States of America and the Democratic People's Republic of Korea. The meetings proceeded in a serious, constructive, and businesslike atmosphere, allowing each side to gain a better understanding of the other's concerns.

Recognizing the changed circumstances on the Korean Peninsula created by the historic inter-Korean summit, the United States and the Democratic People's Republic of Korea have decided to take steps to fundamentally improve their bilateral relations in the interests of enhancing peace and security in the Asia-Pacific region. In this regard, the two sides agreed there are a variety of available means, including Four Party talks, to reduce tension on the Korean Peninsula and formally end the Korean War by replacing the 1953 Armistice Agreement with permanent peace arrangements.

Recognizing that improving ties is a natural goal in relations among states and that better relations would benefit both nations in the 21st century while helping ensure peace and security on the Korean Peninsula and in the Asia-Pacific region, the U.S. and the D.P.R.K. sides stated that they are prepared to undertake a new direction in their relations. As a crucial first step, the two sides stated that neither government would have hostile intent toward the other and confirmed the commitment of both governments to make every effort in the future to build a new relationship free from past enmity.

Building on the principles laid out in the June 11, 1993 U.S.-D.P.R.K. Joint Statement and reaffirmed in the October 21, 1994 Agreed Framework, the two sides agreed to

work to remove mistrust, build mutual confidence, and maintain an atmosphere in which they can deal constructively with issues of central concern. In this regard, the two sides reaffirmed that their relations should be based on the principles of respect for each other's sovereignty and non-interference in each other's internal affairs, and noted the value of regular diplomatic contacts, bilaterally and in broader fora.

The two sides agreed to work together to develop mutually beneficial economic cooperation and exchanges. To explore the possibilities for trade and commerce that will benefit the peoples of both countries and contribute to an environment conducive to greater economic cooperation throughout Northeast Asia, the two sides discussed an exchange of visits by economic and trade experts at an early date.

The two sides agreed that resolution of the missile issue would make an essential contribution to a fundamentally improved relationship between them and to peace and security in the Asia-Pacific region. To further the efforts to build new relations, the D.P.R.K. informed the U.S. that it will not launch long-range missiles of any kind while talks on the missile issue continue.

Pledging to redouble their commitment and their efforts to fulfill their respective obligations in their entirety under the Agreed Framework, the US and the D.P.R.K. strongly affirmed its importance to achieving peace and security on a nuclear weapons free Korean Peninsula. To this end, the two sides agreed on the desirability of greater transparency in carrying out their respective obligations under the Agreed Framework. In this regard, they noted the value of the access which removed U.S. concerns about the underground site at Kumchang-ri.

The two sides noted that in recent years they have begun to work cooperatively in areas of common humanitarian concern. The D.P.R.K. side expressed appreciation for significant U.S. contributions to its humanitarian needs in areas of food and medical assistance. The U.S. side expressed appreciation for D.P.R.K. cooperation in recovering the remains of U.S. servicemen still missing from the Korean War, and both sides agreed to work for rapid progress for the fullest possible accounting. The two sides will continue to meet to discuss these and other humanitarian issues.

As set forth in their Joint Statement of October 6, 2000, the two sides agreed to support and encourage international efforts against terrorism.

Special Envoy Jo Myong Rok explained to the US side developments in the inter-Korean dialogue in recent months, including the results of the historic North-South summit. The U.S. side expressed its firm commitment to assist in all appropriate ways the continued progress and success of ongoing North-South dialogue and initiatives for reconciliation and greater cooperation, including increased security dialogue.

Special Envoy Jo Myong Rok expressed his appreciation to President Clinton and the American people for their warm hospitality during the visit.

It was agreed that Secretary of State Madeleine Albright will visit the D.P.R.K. in the near future to convey the views of U.S. President William Clinton directly to Chairman Kim Jong Il of the D.P.R.K. National Defense Commission and to prepare for a possible visit by the President of the United States.

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