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Economic Warfare a la Russe: The Energy Weapon and Russian National Security Strategy

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Abstract

Some studies have already been done on the energy factor in Russian foreign policy during the Ukrainian crisis of 2006 and 2009. Energy affairs at a global and regional level have changed. We examine how Russia has used energy as an instrument of foreign policy in the context of the US shale revolution, the new Ukrainian crisis, and low oil prices in Europe, Eurasia, Central and Eastern Europe, the Middle East, and Asia. The goal of this article is to examine how Russia is using energy as a foreign policy instrument in the context of the US shale revolution, the Ukrainian crisis and low oil prices in 2010-2015. Russia energy weapon resembles a Swiss army knife that simultaneously cuts in many directions, at home, in the CIS, and in Eastern and Central Europe, and the Asia-Pacific. This war holds lessons for the West who must wage its own contemporary economic wars. It is important to understand that while energy policy as a form of economic warfare can be and generally is deployed autonomously, Moscow often uses economic warfare in conjunction with military force, arms sales, or to achieve some strategic goals.

Key words: Russian Foreign Policy, Energy Affair, Economic Warfare, Strategic Goals
INTRODUCTION

Recently General Phillip Breedlove, Supreme Allied Commander Europe (SACEUR), cited Russia’s military and economic coercion directed against its neighbors.¹ Breedlove rightly singled out economic coercion because on a daily basis Russia’s energy network is its most constantly operating factor of coercion or of leverage in Eurasia. Energy policies operate constantly as a major weapon in Russia’s national security strategy and are often utilized together with the other elements of Russia’s political warfare to consolidate the Putin regime’s domestic power and authority, obtain a neo-imperial sphere of influence in the governments of the former Soviet borderlands and Eastern Europe, and fracture European cohesion and integration.

It is equally important to grasp that this form of warfare continues into the present and in tandem with military operations as in Ukraine.² Upon invading Ukraine, Moscow immediately seized Ukrainian energy platforms in the Black Sea and Crimea and has continued to expropriate Ukrainian oil jacks and facilities there through 2015 to drill for oil and gas in Ukraine’s marine economic zone.³ Moscow is also waging a consistent energy war either to isolate Ukraine from European sources of energy and render it wholly dependent on Russian gas and oil. The Nordstream II


pipeline, discussed below is merely the latest example of such economic warfare. These seizures not only deprived Ukraine of much needed energy and potential revenues, Russia also can use those installations as a pretext for stationing warships into the Black Sea and then threatening Romanian and Bulgarian installations and/or territory. In addition Russia has thus taken control of Ukrainian infrastructure, Ukraine’s Chornomonaftogaz (Black Sea gas) company worth an estimated $1.2 Billion, over 2BCM of natural gas storage in Crimea, and acquired a huge maritime zone worth trillions of dollars.\(^4\) By seizing the Donbass Moscow also took over most of Ukraine’s coalfields and mines, the massive “Yuzovka” shale gas deposit area, and several underground gas storage sites and transit pipelines.

Thus Kyiv has been forced into ever-greater dependence on external energy sources.\(^5\) And in providing gas to the Donbass and trying to force Ukraine to pay for that gas shipped in lieu of Ukraine’s previous contractual obligations, Russia forced Ukraine to pay for Russian gas even as it was invading Ukraine. This repeats the pattern in Moldova whereby Tiraspol, Moscow’s client and rump state in Transnistria refuses to pay for Russian gas, allowing Moscow to send bills to Chisinau, Moldova’s capital, making it incur a debt of $4 Billion almost half of Moldova’s GDP, and obliging it to subsidize the Russian occupation of its territory. If this scenario repeats itself in Ukraine, it will be a textbook example of how energy chains can be manipulated to exert economic pressure and territorial influence.\(^6\) However, these actions are only part of Moscow’s overall continuing economic war against Ukraine and represent merely the culmination to date of a campaign of economic warfare that included high tariffs, embargos, or delays of imports to prevent

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\(^5\) Ibid, p. 192.
\(^6\) Ibid., pp. 195-196.
Ukraine from signing an Association Agreement (DCFTA-Deep and Comprehensive Free Trade Agreement) with the EU in 2013 and similar tactics against Moldova and Armenia for the same purpose.\(^7\)

It is important to understand that while energy policy as a form of economic warfare can be and generally is deployed autonomously, Moscow often uses economic warfare in conjunction with military force, arms sales, or to force the adoption of policies favoring Russian immigrants in the Baltic States. Moreover, Moscow continues to use economic coercion as an instrument of warfare against its neighbors, e.g. the imposition of tariffs and exclusion of Ukraine from the Eurasian Customs Union in December, 2015 because it refused to give up its Association Agreement with the European Union and Russia’s ongoing efforts to gain control over both gas flows through Ukraine and the distribution of Russian gas within Ukraine.\(^8\)

**RUSSIAN STYLE ECONOMIC WARFARE**

Moscow habitually practices what experts have long since called economic warfare. But in Moscow’s case the instruments of economic warfare, including, but not exclusively comprising, energy, trade, investment opportunities and cutoffs, remittances, and attempts to enhance the Russian ruble while diminishing the role of the dollar are waged in tandem with a broader strategy of what must be called political warfare. The instruments of its strategy are military force, media penetration, intelligence penetration and subversion abroad,

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\(^8\) Ruehle and Grubliauskas, pp. 189-200.
unremitting information warfare to organize a lasting process of mass political-ideological manipulation, organized crime, and the use of the ethnic card – often but by no means exclusively Russian diaspora communities abroad.\(^9\) As noted above, Moscow continues to deploy this weapon against Ukraine as well as other former Soviet republics but also as shown below against Europe as well as Ukraine in the case of the Nord Stream II pipeline.

Russia’s use of the energy weapon, seen in a broader context, is therefore but one manifestation of the broader and increasing resort by great powers to programs of action that can only be described as economic warfare. And economic warfare, especially by the Great Powers against more vulnerable governments, is a fundamental feature of contemporary international conflict.\(^10\) The U.S. has waged extensive economic attacks on North Korea and terrorist organizations as part of this trend.\(^11\) But while our concern here is Russia, U.S. actions have arguably amounted to a template that other great powers can use as well. While our primary concern has been to isolate terrorists, Russia, as we shall see has turned these weapons and form of warfare in a different direction. And as we have seen and will see below economic warfare is now a prime instrument in Russia’s (and other adversarial states’) overall arsenal.\(^12\)

This is warfare defined by the use of financial tools, pressure, and market forces to leverage the banking sector, private-sector interests, and foreign partners in order to isolate rogue actors from the interna-

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\(^12\) Ibid., p.11.
tional financial and commercial systems and eliminate their funding sources. For example, Russia has sought to conduct analogous operations against the US. In the summer of 2008, at the height of the financial crisis, Russian officials approached their Chinese counterparts with an intriguing proposal. The countries could band together to sell their holdings in the US housing giants Fannie Mae and Freddie Mac. These government-sponsored enterprises (GSEs) owned or guaranteed over 5 trillion in residential mortgages and mortgage-backed securities, approximately 50 percent of the total mortgage market. The GSEs had accumulated approximately $1.7 trillion in debt, hundreds of billions of which were owned by the Chinese government alone. With the United States still reeling from the financial crisis already underway, a coordinated Russian-Chinese sale of GSE holdings could force the US government to use its emergency authorities and spend massive sums to keep Fannie Mae and Freddie Mac alive. Such a move would likely exacerbate the global economic crisis, causing an even deeper crisis in confidence in the US financial systems and potentially a run on the dollar. This action and those described below are clearly signs of a coordinated strategy of economic warfare against U.S. interests and those of its allies. Indeed Putin openly told his intelligence services in 2007 that they, “Must be able to swiftly and adequately evaluate changes in the international economic situation, understand the consequences for the domestic economy, and more actively protect the economic interests of our companies abroad.” Thus Russia’s in-

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13 Ibid.
14 Ibid., p. 383.
telligence agencies, many of whose alumni are the captains of Russian business or who have infiltrated it, received a clear mandate for actions they had already taken and would take to conduct economic warfare abroad. Since then, as shown above, Russian officials have followed China’s lead and sought to cooperate with China in its assault against the dollar in ways that also include cyber-strikes against financial institutions.16

Russia’s energy weapon resembles a Swiss army knife that simultaneously cuts in many directions, at home, in the CIS, and in Eastern and Central Europe. At home energy revenues are essential elements of the state budget thus the stagnant price of energy, now at record lows (since 2009) contributes to a major economic slowdown and governmental budget crisis. Accordingly the major energy companies serve not only as a source of state revenue but also as a contemporary analogue of medieval tax farmers.17 While this element of firms like Gazprom accentuate the abiding medieval features of Russian governance; they also reflect this medievalism because they are a major conduit of rents to the elite who are allowed this corruption in return for their service to the state, so the tax farmer analogy not only relates to energy firms’ function for the state but also to their role as the motor force of the contemporary updating of the phenomenon of the Muscovite service state where property is held only in return for service and payment for that service derives from the control of those assets.18 Thus Russian busi-

16 Zarate, Treasury’s war, pp. 399-413.
17 In Medieval times tax farmers were state officials whose task was to collect taxes. But because of the scarcity of state revenues and to induce them to serve they were granted the right to a portion of those tax revenues as their own income, i.e. as a reward and incentive for state service.
nesses have been pressured to organize, at their own expense so called charitable funds to support the “special services” (intelligence agencies). Moreover, by the end of 2011, Putin himself admitted that one of every two officials of energy companies is connected with other industries allowing for massive corruption.

But beyond these considerations the dominance of energy in the Russian economy consigns Russia to being primarily an economy organized for the export of commodities and raw materials. This has led several Russian not to mention Western analysts, to emphasize the correlation between this kind of economy and service state with imperial proclivities. Thus Andrei Zakharov writes, “Imperial statehood is the natural guise of a regime based on the export of raw materials.”

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19 Roman Shleynov, “A tribute of respect”, Moscow, Novaya Gazeta, in Russian June 1, 2009, *FBIS SOV*, June 1, 2009


Likewise, Russia’s energy assets are vital to the enhancement of Russia’s global power, influence, and standing. And the government openly recognizes those assets’ role as a major instrument of Russian foreign policy. As Roman Kupchinsky has written,

On February 4 [2009] Ukarayinska Pravda reported that Russian Prime Minister Vladimir Putin stated: “Russia enjoys vast energy and mineral resources which serve as a base to develop its economy; as an instrument to implement domestic and foreign policy. The role of the country on international energy markets determines, in many ways, its geopolitical influence.” This thesis was not new, it found its way into the 2003 “Energy Strategy of Russia for the Period of up to 2020” which stated at the outset that: “Russia possesses great energy resources... which is the basis of economic development and the instrument for carrying out internal and external policy.” Putin’s views were incorporated into the security doctrine in a roundabout but nonetheless blunt manner. Paragraph 9 of the doctrine states: “The change from bloc confrontation to the principles of multi-vector diplomacy and the [natural] resources potential of Russia, along with the pragmatic policies of using them has expanded the possibilities of the Russian Federation to strengthen its influence on the world arena” In other words, Russia’s energy resources were once again officially acknowledged to be tools of Russian foreign policy, or as some believe, a lever for blackmail. There was apparently no further reason for denying the obvious, and the authors of the [2009] security doctrine decided to lay out Russia’s cards on the table.

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At the same time due to the variegated situations of the energy economy and that Russia confronts globally, the goals of energy policy vary according to regions’ and countries’ specific features. In the Far East, for example,

Ultimately, the political implications of Russia’s Northeast Asian energy policy are the reinforcement of the country’s national energy security vis-a-vis the reduction of its dependency on European imports, the expansion of the nation’s influence through reinforced energy cooperation with Northeast Asian countries, and the economic development of East Siberia and the Far Eastern region through the provision of an alternative energy source for West Siberia.24

Clearly the Asian political situation is very different from what Moscow sees in Eurasia (the former Soviet Union) and Europe and its policies vary accordingly as it makes no effort to subvert the Chinese, Japanese, or ROK governments.

In Eurasia, however, abundant evidence exists that Moscow has used and continues to use energy as an instrument of dominance in the CIS as a whole and of leverage in Europe, either by controlling pipelines from Eurasia to Russia and then Europe or by maximizing its control of gas supplies from Russia (including those Central Asian supplies) to Europe.25 Indeed this strategy also obliges Russia to pursue an openly neo-colonial policy in Central Asia and even to subsidize Central Asian gas production during times of depressed gas prices in order to ensure that only Russia or China but not Eu-


rope gets Central Asian gas and oil regardless of cost.26 This policy ensures continuing leverage over Central Asian gas exports that are vital to the Uzbek, Kazakh, and Turkmen economies. Although it has failed with regard to Turkmenistan because China bailed it out, clearly Ashgabat has no desire to provoke Moscow by buying into ideas like the European Union’s support for various trans-Caspian pipeline projects. And of course that leverage over the energy sector then translates into corresponding leverage over domestic and foreign policies of these states.

But the most important manifestations of Russian energy strategy occur in the Western borderlands from the Baltic to Moldova and in Europe where the goals, as noted above, go beyond accruing revenues to establishing lasting positions in both upstream and downstream (distribution) sectors of these states’ energy economies, using that leverage for purposes of enhancing lasting economic and political influence, either through support for subversion or through corruption and direct lobbying of governments, in those states, and of dividing Europe in order to arrest the process of European integration under the EU’s auspices. Indeed, despite the dynamic changes occurring in Europe and Eurasia Moscow continues to use its energy weapon there for these selfsame purposes.

ENERGY, ORGANIZED CRIME, AND INTELLIGENCE PENETRATION

Some pattern of linkages between energy, organized crime figures and intelligence penetration of governments has characterized Russian activities across Eastern Europe and would undoubtedly

develop in Georgia if the authorities there allow Russia to become substantially involved in Georgia’s energy economy.\textsuperscript{27} Spanish investigators found that the Russian Mafia, which is closely linked to the government, exercises “tremendous control” over some strategic sectors of the global economy such as aluminum and natural gas.\textsuperscript{28} Previous studies make clear the political purposes and outcomes of Russian energy policies throughout the former Soviet bloc, not just the former Soviet Union. And these efforts to corrupt Western institutions are also ongoing. Thus Deutsche Bank is now investigating a total of $10 Billion in illegal trades from its operations in Russia whose purpose appears to be money laundering.\textsuperscript{29}

To defend its ‘Petro-Power, Russia strives to keep as many of its partners as possible in a state of energy dependence, a dependence which can be manipulated as Russia chooses. A key component of this strategy is the control of pipelines and other energy facilities in neighboring countries. [In addition] Oil and gas allow Russia to ‘buy off’ foreign companies and individuals. More importantly, the Kremlin can manipulate whole countries as in the days of the Warsaw Pact; loyal allies are rewarded with ample amounts of subsidized energy, at great cost to Moscow.\textsuperscript{30}

For example, in 2004 Roman Giertych, Deputy Chairman of the


\textsuperscript{28} Maria Snegovaya, “The implications of Russia’s mafia state”, \textit{The American Interest}, December 23, 2015., http://www.the-american-interest.com,

\textsuperscript{29} “Deutsche Bank Moscow laundering probe tallies $10 Billion”, \textit{The Moscow Times}, December 22, 2015, http://www.themoscowtimes.com,

\textsuperscript{30} \textit{Ibid.}
commission that investigated the notorious Orlen scandal in Poland, concluded in his report that,

The commission has evidence that a certain kind of conspiracy functioned “within the background of the State Treasury Ministry, the Prime Ministerial Chancellery, the Presidential Chancellery, and big business,” which was supposed to bring about the sale of the Polish energy sector into the hands of Russian firms.\textsuperscript{31}

In Lithuania, former President Rolandas Paksas was impeached for his connections to Russian organized crime and intelligence figures. In August 2009 the Seimas moved to block any possibility that the Russo-Lithuanian capital bank Snoras could gain control of the LeutvosRytas media group.\textsuperscript{32} But this is hardly a new Russian policy.

In 2007-08 the Lithuanian businessman Rimandas Stonys, President of Dujotekana, Lithuania’s Gazprom intermediary, who has close ties to Russian and Lithuanian officials and has extensive investments in Lithuania’s energy and transit sectors, was brought under investigation by Lithuania’s Parliament. These investigative reports charge that he had used his ties to Russian intelligence and other Lithuanian political connections to advance personal and Russian interests in Lithuania’s energy sector. Dujotekana was reputed to be a front for Russian intelligence services that are already entwined with Gazprom. And a counter-intelligence probe into a foreign citizen’s efforts to recruit senior Lithuanian Intelligence (VSD) officers led to the firm, which also recruited government officials. Key executives of Dujotekana were apparently also KGB alumni. Similar charges were also raised in regard to Stonys’ and

\textsuperscript{31} FBIS SOV, December 13, 2004.
his firm’s influence in Lithuania’s transit sector and his large contributions to politicians and media and his influence over political appointments.33

Subsequently it became clear that the company was established with the help of Russian special services, but because Stonys failed to gain control of a new power plant in Kaunas that would have legitimized Gazprom as an investor and power in Lithuania, he may well be on his way out.34 However that would hardly stop other friends of Russia from trying to capture key positions in the state and its policy.35 Indeed, Gazprom kept trying to obtain a long-term contract to supply Lithuania with gas and make a deal with the main gas company LieutvosDujos until 2030.36 Clearly this is a constant, long-term Russian policy. Thus Stonys only took off from where earlier efforts had failed when attempts were made to compromise Lithuanian politics by using such figures as Viktor Uspaskich, founder of the Labor party, who is trying to make a comeback, and Paksas.37 Likewise, in Estonia the 2006 annual report of the Security Police noted that the Constitution Party is financed partly from Moscow.38 These kinds of operations are apparently also ongoing. Thus the Estonian newspaper, Postimees, reported in 2015 about how Russian oligarchs, operating closely with some of the highest figures of Putin’s Administration, are attempting to seize

33 FBIS SOV, October 1, 2007.
35 Ibid.
control of Estonia’s economy and use their influence to not only to take over sectors like oil, but also to influence Estonian politics.39

In Hungary Istvan Simiscko, a member of the Christian Democratic People’s Party and Chairman of the National Security Committee of the Parliament, has publicly charged that Russian (and possibly Slovak) intelligence and criminal links may be involved in the murder of members of the Hungarian Roma in an attempt to incite ethnic unrest inside Hungary and/or discredit Hungary abroad.40 There are also repeated examples of Russia, either acting on its own or through the Austrian energy firm OMV, attempting to gain control over Hungarian energy firms, notably MOL.41 Thus there has been good reason for open US concern about Hungarian policy, especially when the Socialists led by Prime Minister Ferenc Gyurcsany were in power.42 Indeed, Gyurcsany had at various times proposed that the EU, Russia, and Caspian Sea governments form an energy partnership or said that despite Hungary’s democratic orientation, it cannot expect to become independent of Russia.43 More recently there are discernible signs of this phalanx of business, crime and government money establishing havens for itself in Iceland and Montenegro.44

40 Budapest, Magyar Hirlap Online, in Hungarian, August 6, 2009, FBIS SOV, August 6, 2009.
44 Vladimir Prybylovsky, Natalya Morar, Ilya Barabanov, YevgeniyaAlbats, “From Petersburg to Reykjavik: Whose money is rescuing Iceland”, Compromat.ru Internet, in Russian, October 20, 2008, FBIS SOV, October 20, 2008; Dan Bilefsky, “Despite crisis,
Finally, in the Czech Republic already in 2008 one NATO diplomat told the Czech newspaper Mlada Fronta Dnes,

The extensive building up of Russian espionage networks in the Czech Republic and in other NATO countries, and also the hitherto unprecedented amounts of money that Moscow was starting to invest in this ‘project’ in the recent period have exceeded the acceptable, and sometimes also tolerated, limits of espionage. In the recent period this has exceeded any kind of degree, whether this is a case of infiltrating the intelligence services or of contacting experts involved in NATO strategic defense.45

Formally Prague expelled these diplomats for attempting to influence public opinion against the planned US missile defense installations in the Czech Republic. Czech officials and reports have long observed that, using business and either Czech or Russian businessmen as a front, Moscow has been trying to make contact with and suborn politicians to influence Czech policies.

By 2009 Moscow had doubled the number of known agents in the Czech Republic from 50-100 and many officials believed that the leadership of the Czech Social Democratic party is either prey to dangerous illusions about Russia or worse and would undermine Prague’s pro-Western policies.46 Czech intelligence thus reported


that Russian intelligence has attempted to establish and exploit ties to Czech politicians and civic groups for purposes hostile to government policy and on behalf of Russia.\textsuperscript{47} As one representative of Czech Intelligence, the BIS, told the Czech journal Respekt.cz previously,

\begin{quote}
In the last few years we have noted numerous attempts by business entities that had proven connections to suspicious Russian capital to gain control over telecommunications, information systems, and transportation infrastructure from railroads to airports and airlines. To what extent the Russian secret services are involved in these activities, however, we do not know.\textsuperscript{48}
\end{quote}

Knowledgeable Czech experts like the former Ambassador to Moscow Lucas Dobrovsky have little doubt what Moscow wants to achieve through such efforts to penetrate the Czech government. As he observed,

\begin{quote}
We would stop resisting the efforts to bring Russia’s economic, political, and perhaps, to a certain extent, military, influence back to the area of Central Europe. The current Russian Government and the president believe that this is a natural influence in the area that was directly and indirectly occupied by the former Soviet Union. You will find a lot of evidence of this in the statements of Russian politicians. This would lead to the weakening of our Euro-Atlantic relations.\textsuperscript{49}
\end{quote}

Czech Deputy Foreign Minister Thomas Pojar echoed these comments and notes that recovering Russia’s position in Central

\textsuperscript{49} Lenka Ziamalova, “Interview with Lucas Dobrovsky”, \textit{FBIS SOV} August 25, 2009.
Europe has been a Putin priority since he took power in 2000.\textsuperscript{50} More recently Lukoil finance President Milos Zeman’s election in 2013.\textsuperscript{51}

\textbf{THE BALKANS: AN ARENA OF EAST-WEST GEOPOLITICAL RIVALRY}

Similar phenomena are observable in the Balkans. The Balkans remain an arena of East-West geopolitical rivalry as they have been for centuries. Today, however, the instruments of rivalry are not armies but rather economic-political forces: control of energy pipelines and production and the use of that control for political more than purely economic objectives, as well as the attraction of competing political models i.e. the liberal internationalist and post-nationalist EU model or the Putinist model of authoritarian statism and criminalized elite rule buttressed by state if not popular nationalism. Thus a Macedonian newspaper observed that the Balkans’ geostrategic importance today is in no small measure due to the fact that it is the heartland of the confrontation between rival energy pipelines, the EU’s Nabucco pipeline and Russia’s South Stream project. Since the Bosphorous and the Dardanelles are limited in the amount of energy that can be transported through them, the Balkan landmass becomes all the more important in this context and each state therefore does its utmost to ensure that oil and gas pipelines traverse their territory.\textsuperscript{52}


\textsuperscript{52}MerselBilalli, “Utter isolation”, Skopje, Dnevnik, in Macedonian, October 16-17, 2010,
Arguably the current struggle for the Balkans, now occurring through competitive energy projects and political models, therefore ties into the larger East-West geopolitical rivalry founded on control of energy supplies and routes. Milan Simurdic duly observes that,

Russian energy policy in the Balkans could be viewed as part of the competition for access, control, and influence over the oil and gas business, especially in the Caspian basin and in Central Asia. The Balkans represent the final stage of oil and gas delivery from that region towards, in the case of gas and gas pipelines – the European markets, and, in the case of oil to sea ports, transporting oil further to the world market. More and more, the Balkan region is being connected to the “New Great Game, i.e. the modern re-run of the struggle between Imperial Britain and Imperial Russia of the XIX century for influence in Central Asia.”

Although Balkan states wanted to be able to maximize their options and access to gas by relying on both Russia’s South Stream project and the Azerbaijani-Turkish Trans-Anatolian pipeline (TANAP) for obvious economic reasons, ultimately the decision to rely primarily on one or another pipeline scheme, is a statement of political intent as well. Therefore the decision to rely mainly on Russian pipeline projects like the South Stream gas pipeline or the EU’s projected Nabucco West project or, the Trans-Adriatic Pipeline (TAP), the TANAP emerging Azerbaijani-Turkish Trans-Anatolian gas pipeline (TANAP) were as much if not fundamentally geopolitical decisions

Open Source Center, Foreign Broadcast Information Service, Central Eurasia, (Henceforth FBIS SOV), October 17, 2010.


54 Liuhto
and had geopolitical outcome rather than purely economic ones. While it may well be the case as Balkan ministers have told US audiences that if they do not have Russian gas, built over pre-existing pipelines their countrymen will freeze during the winter; this attribution of a primary geopolitical importance to pipeline choices is still correct because what is at stake is not just energy supplies but rather decisive leverage over economic-political affairs in Balkan governments.\textsuperscript{55} For the same reasons any future enlargement of either the EU or of Russia’s proposed Eurasian union and associated integration schemes will have as much geopolitical as domestic economic content and repercussions.\textsuperscript{56} Indeed, as Kupchinsky observed,

South Stream could position Russia to control the entry of pipeline-delivered gas to Europe from Central Asia and other producer countries. On top of its role as unwanted middleman, Russia would also become the gatekeeper of Europe’s southern corridor for energy supplies.

Moscow seeks to control pipelines from Eurasia to Russia and then Europe and thus set the price of gas to its clients.\textsuperscript{57} It then tries to tie Balkan and other states into long-range contracts that restrict these states’ ability to buy gas freely at real market prices. Essentially this control of the pipelines and thus of prices in the Balkans and the CIS has allowed Moscow to behave as a monopolist and tell gas suppliers in the CIS and consumers in the Balkans, either you

\begin{itemize}
  \item \textsuperscript{55} Christie in Liuhto
  \item \textsuperscript{57} BertilNygren, \textit{The rebuilding of greater Russia}; BertilNygren, “Putin’s use of natural gas to reintegrate the CIS region”, pp. 4-17.
\end{itemize}
accept our prices or you freeze.\textsuperscript{58}

The instruments of this attempted domination have been pipeline projects, the enforcement of monopoly at both the supply and consuming end and the persistent Russian efforts to transmit economic leverage into strategic and enduring economic-political influence. Contractually Russia’s efforts at control have been manifested in its terms that European consumers must sign long-term contracts and take Russian gas at previously stipulated prices regardless of actual market conditions. These take or pay clauses are vital to the Russian enterprise as a whole. Thus in 2006 President Putin observed that the energy market must be protected from unpredictability with buyers and sellers, equally assuming a “fair distribution” of risks. This means that Russia must develop long-term contracts with its customers that tie them into onerous take or pay clauses whereby they must buy gas at higher prices or pay for the gas that they do not buy and do so for years.\textsuperscript{59}

As the World Bank found Russia has historically practiced monopolistic policies of price discrimination among customers for political reasons. Those customers, e.g. in the Balkans, who played ball with Moscow received price discounts, whereas Western countries paid higher prices and thereby subsidized Russia’s own gas economy. Although after 2005 Russia claimed to demand that customers and transit countries alike pay market prices, in fact though the prices went up the price discrimination has continued among customers.\textsuperscript{60} Accordingly Russian strategy since 2000 has been to sustain high prices by limiting domestic investment in Russian gas fields and new production capacity as long as needed to persuade European buyers to extend till 2030 these long-term contracts with

\textsuperscript{58} Oliver Morgan, “Kremlin ready to take on the West”, \textit{The Observer}, January 7, 2007.


take or pay clauses that will expire around 2015 and keep prices high. The strategy also requires preventing Central Asian and Caspian producers from sending gas to Europe, gaining control over the shipment of that gas, using the ensuing leverage to reduce the leverage of transit countries, Belarus, Ukraine, and Turkey, preventing resolution of the determination of the Caspian Sea’s status and frustrating any efforts to construct a trans-Caspian pipeline, blocking the Nabucco pipeline project that would effectively compete with Russian gas, investing in North African sources to gain leverage there on gas sales to Europe, and create preemptive pipeline projects like North Stream and South Stream that foster partnerships with major EU players, undermine transit states, and reduce them to dependence on sole source Russian gas.  

Today with the advent of shale gas and liquefied natural gas (LNG), as well as EU actions against Gazprom there are signs that this monopolistic strategy could break down. Shale gas in particular represents a major threat because it could be exploited in large amounts by Poland, Ukraine, Lithuania, and the Balkan states. And once the US and Canada start exporting shale in 2016 this could put Russian gas under enormous pressure. This makes it all the more urgent for Russia to retain its hold on the Balkans as it faces a dual threat, continuing integration of the region into a European and democratic project, and the loss of its monopoly power over regional gas flows. This is a major reason for the intense Russian focus on energy diplomacy in the Balkans as a whole and in the Western Balkans, especially Serbia, in particular.

Using the revenues it has acquired from gas and oil sales abroad, Russia has also eagerly sought to buy up downstream assets in Europe to gain control over gas distribution networks and other “commanding heights” of European economies e.g. oil companies
and industries in other key sectors that are in the process of being privatized thereby transmuting economic clout into lasting political leverage.\(^\text{62}\) And, of course these investments are generally made with the full backing and knowledge of the Russian government, which is able to direct the investment plans of these state corporations like Gazprom.\(^\text{63}\) The objective of such investments is not just profit but clearly establishing beachheads for the extension and perpetuation of economic-political leverage and influence over local governments as well as sites from which it becomes possible to corrupt public institutions and political leaders in these countries.

Thus we see a conscious policy of state support for monopolizing gas flows in particular into the Balkans, acquiring downstream assets there and in the rest of Europe, and then branching out into other industries and the acquisition of economic-political influence over these states.\(^\text{64}\) In the Balkans, Gazprom, and its oil subsidiary, Gazpromneft are busy looking to set up Balkan subsidiaries.\(^\text{65}\) Towards this goal Gazprom has obtained minority equity holdings as of 2009 in some 60-80 entities across Europe according to C. Boyden Gray. Yet the EU does not pursue Gazprom as a monopolist, which it undoubtedly is (it also has been likened, not unfairly, to an organized crime syndicate).\(^\text{66}\) Gazprom, according to an earlier list in the Russian press,

\(^{62}\) BertilNygren, *The rebuilding of greater Russia*; BertilNygren, “Putin’s use of natural gas to reintegrate the CIS region”, pp. 4-17.


Has a share in over 20 European companies from 16 countries, which engage in distribution, marketing, and transport of gas. At the same time, in half of them, its share comprises or surpasses 50 percent (Gas Und Warenhandelgesellschaft, Overgas In. AO, Fragaz, WIEH Gmbh&Co KG, Prometheus GAS S.A., Promgas SpA, Blue Stream Pipeline Company B.V., Gas Project Development Center Asia AG (Zug), WIEE, Nord Stream AG). Furthermore, at the end of January (2009) Gazprom created a joint enterprise with the Austrian OMV company for updating the system of gas storage facilities and the distribution network in Baumgarten, which are geared toward storage and distribution of gas from the Nabucco pipeline.67

Therefore Gazprom already (not to mention other Russian firms) commands an important position in the overall European gas economy if not other sectors as well. And it also has targeted certain key European countries like Germany where Russian and especially Gazprom investments are flourishing.68 Indeed, as a result of the extensive Russo-German commercial ties German businessmen have become a major lobby arguing against any policies that might upset this relationship and the government too possesses a fundamentally different Weltanschaung (world view) about Russia and the opening up of Germany to Russian commercial influence (not to mention Eastern Europe) than does the US, a fact that has corroded all hope of unified policies towards Russia.69

These trends are particularly visible in the Balkans. Moscow has also used, still uses, and will keep using its energy weapons to achieve its political goals, e.g. by manipulating gas supplies to potentially recalcitrant governments and by buying up available energy sector assets. Moscow exploits the need of these small economies for reliable energy supplies based on existing pipelines and for investment, using the revenues it has attained to invest in and target key sectors of local economies, particularly what might be called the “commanding heights,” energy, power transmission, gas and oil distribution, and communications. And it also has grand designs for the region. In 2010 Russia published plans for a huge Balkan oil pipeline to accompany the South Stream gas pipeline.

The document envisaged a 3, 200 Km oil pipeline named Druzhba Adria, projected to deliver 5-15 million tons of oil annually over there incremental phases of its activation. Druzhba Adria will start at the Russian town of Samara and run across Belarus, Ukraine, Slovakia, and Hungary to the docking terminal of Omisalj on the Croatian island of KRK.

Moscow’s demands on Europe regarding energy are quite simple, essentially amounting to giving it a free hand to decide how it will supply gas and allowing it to dominate European gas supply. Moscow wants the EU to include the South Stream pipeline as one of its priority projects and thereby prevent any other rival pipeline like the Nabucco pipeline from occurring into being. And beyond that demand Gazprom has announced that it will seek exemptions

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71 Ibid, pp. 78-82.

form EU law for the various branches of the South Stream pipeline throughout Europe (which clearly includes much of the Balkans and would create an “EU-free” zone of Russian influence there). The exemptions Gazprom seeks would exclude the EU from any participation or supervision of the pipeline and ensure that it is almost if not as opaque as other Russian energy ventures.

One of the top priority goals of the joint venture after determining the technical and economic parameters of the selection South Stream project option will most likely be filing for the necessary exemptions form the new gas rules (third party access, setting tariffs on the network, separation of ownership of operator and supplier) needed to guarantee the interests of the investors.73

Equally importantly through control over energy Moscow also hopes to curtail the actual independence of the post-Soviet states from the Baltic south to the Black Sea. Effectively Moscow aims to undo in practice the content of the post-Soviet and former Warsaw Pact states’ sovereignty. Thus Michael Emerson reports the comments of a civil society leader in Belarus who told him that, “we have the impression that Moscow has come to see a certain Finlandization of Belarus as unavoidable and even useful.”74 As Emerson describes the term, Finlandization means,

Remaining in Moscow’s orbit for strategic security affairs (strategic military installations, 50% ownership of the gas pipeline, no question of NATO aspirations), but becoming more open to its EU neighbors for personal contacts and eventual political liberalization and for modern-

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izing its economy. All this has the ring of plausibility to it.\textsuperscript{75}

This internal hollowing out of European security structures is directly tied to the leverage provided by the fourfold linkage of Russian energy firms who seek to obtain downstream properties in Europe rather than develop Russia’s infrastructure, organized crime, the intelligence services, and the government. European diplomats and intelligence officers have acknowledged privately and publicly that these Russian goals remain operative and even call Russia a Mafia state based on the pervasive corruption that links the government, security services, energy and other businesses, and organized crime though their governments remain afraid to say this in public.\textsuperscript{76} And the objective is simple: the subversion of European public institutions.\textsuperscript{77} Indeed, the evidence to support this argument is overwhelming.\textsuperscript{78} And if we were to investigate Russia’s Balkan

\textsuperscript{75} Ibid.
\textsuperscript{76} Conversations with European intelligence and diplomatic officials, Washington, and Europe, 2008.

policies on a country by country basis we would see even more clearly the critical role that energy and other facets of economic warfare have played in Russian strategy right up to the present. In other words, we are confronting a pervasive and strategic policy on the part of the Russian elite.

Despite the enormous and dynamic changes in the global energy economy and world politics since 2009 there has been no let up in Moscow’s efforts to use the energy weapon as is Swiss army knife in Europe or Eurasia as well as the Middle East to serve Russian state interests and undermine the global status quo. In more contemporary manifestations of its efforts to use energy to achieve its strategic objectives we can turn to three ongoing energy campaigns: the campaign to circumvent the European Union through the projected Turkstream pipeline – now itself an object of contestation due to the unforeseen Russo-Turkish crisis generated by the shooting down by Turkey of a Russian fighter jet in November 2015; the ongoing effort to seduce Germany away from a unified stance with the EU through the Nordstream II pipeline, Russian energy pressure in Georgia, and energy policy in the Middle East.

**TURKSTREAM**

The suspended Turkstream project to bring Russian gas to Turkey where it would be sold to Europe at the border with Greece thus bypassing the EU reflects Moscow’s continuing efforts to isolate Ukraine from Europe, render Ukraine wholly or largely dependent upon Russian gas, increase its leverage over Turkey and other Balkan states and fracture EU cohesion. Although South Stream was blocked due to EU sanctions; Turkstream continues its tradition

supplement*, FOI (Swedish Defense Research Agency), March 2006.
and Moscow’s proclivities to use energy as weapon of international politics.

However, Moscow’s recent gambit to establish “Turk Stream” with Turkey to replace the defunct South Stream continues the use of energy as a weapon with which to threaten vulnerable states. Turk Stream continues Moscow’s efforts to force Ukraine into total dependence on Russian energy and Russia while isolating it from Europe. Moreover, in its recent moves on Turk Stream Russia essentially has laid down an ultimatum to Europe. On January 14, 2015, Moscow unilaterally and abruptly cut off gas to Ukraine and six other European countries that depend on those gas flows. Moscow has many motives for making this move. It is attempting to force an easing if not an end to EU sanctions on it for invading Ukraine. Second, Russia is blackmailing Balkan and other European states into allowing it a free hand as well as major leverage on their economics and politics by threatening them with gas cutoffs – a long-standing Kremlin policy. Third, Moscow wants to destroy any hope of Ukraine’s self-rule by forcing it into eternal economic and strategic dependence on Russian gas by threatening to freeze it out, especially during the winter. Fourth, it aims to prevent European integration around the EU and also the enlargement of the EU area through Deep and Comprehensive Trade Agreements (DCFTA) otherwise known as Association Agreements with former Soviet republics. Fifth, it wants to establish Turkish dependence on Russia as the major, if not exclusive, provider of gas to that country. In this connection, Moscow’s December 2014 decision (which was not an unplanned decision taken in a fit of pique) to terminate the South Stream project through the Balkans and reroute it through Turkey

would, as Turkish analysts admit, generate an outcome where Turkey would depend on Russia for over 70% of its gas.\footnote{Stephen Blank, “Azerbaijan’s security and U.S. interests: Time for a reassessment”, Institute for Security and Development Policy, Stockholm, 2013.} Moscow’s recent decision to cut off gas to Ukraine, Turkey and five other Balkan states underlines the real dilemma that Turkey could face due to this excessive dependence on Russian gas.

Equally crucial and sixth, by making this move now and by rerouting South Stream through Turkey, Russia is striking at Azerbaijan and beyond it, at potential Central Asian exporters to Europe. The Southern Gas Corridor is currently embodied exclusively by the Azeri-Turkish program to bring gas through the Trans-Anatolian pipeline (TANAP) to the Turco-Greek border and thence to the Balkans through the Trans-Adriatic pipeline (TAP) and regional interconnectors (TANAP-TAP).

If Turkey became excessively dependent on Russia, Moscow would exploit that dependency to place enormous pressure on Turkey to downgrade the TANAP-TAP line and to block the SGC’s intentions to integrate Central Asian gas producers with European markets. The failure to realize the potential of the SGC would marginalize Azerbaijan, restrict its access to key markets and ability to move toward Europe, diminish its future cash flows, and entail the diminution of its sovereignty and influence. Since Azerbaijan has moved strongly in the last four years to become a genuine player in Balkan energy markets and forge strong commercial ties with European energy markets, Russia’s recent gambits clearly threaten vital Azerbaijani interests, including SGC, which is a vital Azeri interest. Indeed, attesting to the severity of this new threat to Azerbaijan, Turkey, and their European customers and partners, Russian commentators have approvingly commented that this decision speaks to Europe (and others) in the language of ultimatums. Thus the nightmare currently taking place in Ukraine is by no mean an accidental
or unintended aspect of Russian policy. Ukraine shows that energy subordination to Moscow cannot ultimately bring security or a guarantee of no further Russian threats, quite the opposite.

NORDSTREAM II

Russia is still playing these games, most recently with the Nord Stream II project. Here the prize is locking Germany and other countries into a long-term energy relationship with Russia at the expense of Ukraine and every other East European country. In Germany’s case, the mantra of Wandel Durch Annaherung, change through rapprochement, or the new slogan of a modernization partnership, even before 1989 led to Germany becoming the mainstay of the DDR and its chief foreign banker, a morally as well as strategically dubious position.\(^{82}\) And those interests in German business and government who have portrayed their business deals with Russia as being merely commercial ventures that nonetheless will ultimately bring about this “Westernization” or modernization of Russia have been proven to be quite wrong. The support of large sections of the German business community for keeping the commercial and thus political wires open to St. Petersburg at all costs in the mistaken belief that this will lead to change in Russia is well known and regularly articulated.\(^{83}\) More purely commercial motives that play an enormous, if not critical role in German foreign policy are at work here as well. These commercial motives are not merely the lure of the Russian market, which in any case is disappearing due to sanctions and crashing oil prices. It also has a more sinister

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\(^{82}\) Timothy Garten Ash, *In Europe’s name: Germany and the divided continent* (New York: Random House, 1993).

side, as one of the most visible results of German business ties to
Russia is an upsurge of corruption scandals involving major Ger-
man businesses like Deutsche Bank, to name only one.\textsuperscript{84} The most
outstanding example of this corruption of German policy that ben-
efits only Russia and unilaterally undermines the EU is the effort to
build a second branch of the Nordstream gas pipeline from Russia
to Germany. As currently envisaged, Nordstream II violates most
provisions of the European Commission’s policies aiming to reduce
dependence on Russian gas that is not just commercially unprofit-
able for Europe but also strategically unsound as those revenues go-
ing to Russia are also used to extend Russian political influence and
corrupt European economic and political institutions. Beyond these
facts, they create Russian leverage on European businesses that
translate into political influence upon European governments, par-
ties, and institutions. Third, Nordstream II deprives Ukraine of $2-3
billion in vital transit fees, for a pipeline that is not commercially
justified, as European storage capabilities are only 25-30% full.
Furthermore it enables Germany to bypass the EU and through a
series of interconnectors, reestablish the dependence of Balkan and
Eastern European countries upon Russian gas coming through Ger-
many rather than Poland and Ukraine.\textsuperscript{85}

This project not only contradicts EU policies and the strate-
gic interests of both Germany and its allies, it also is deliberately
intended to bypass and thus undermine the EU. Vice Chancellor
Sigmar Gabriel of the SPD openly told Putin that this should be a
bilateral deal and that its chief virtue is that it bypasses Brussels, i.e.
the European Commission. Inasmuch as one of Putin’s chief goals
is to shred the unity of the European Union and establish a lasting

\textsuperscript{84}Ibid, pp. 61-81; Walter Russell Mead, “The moral crisis behind the Deutsche Bank
scandal”, http://www.the-american-interest.com/2015/12/22/the-moral-crisis-behind-

\textsuperscript{85}Gabrielle Steinhauser, “Germany’s Merkel defends Russian gas pipeline plan”, Wall Street
Russo-German partnership that would inevitably be at the expense of Eastern Europe and NATO Gabriel’s remarks were music to his ears and a telling example of the corruption of Germany policy.\textsuperscript{86}

Even as Prime Minister Angela Merkel is advocating increased defense spending to meet Russian military threats and has resolutely supported sanctions due to Ukraine, she also supports Nordstream II as a purely business deal with no political connotations.\textsuperscript{87}

But since the deal makes no commercial sense given current gas prices and the availability of cheaper gas from elsewhere, as well as the underused storage capacity in Europe, it is clear that for many in Germany this is not so much about gas as much as it is rather the foundation for a vast Russo-German business condominium in Eastern Europe and Eurasia, that inevitably entails the fragmentation of the EU, weakening of the European Commission and thus of and European unity. Not surprisingly, Italy, irate at being left out of the deal and angry about Germany’s double standards, evidently wants to join it as well and Putin seems more than happy to offer it a part of the action here, knowing full well that this will enhance Russian leverage on Italy and across Europe, undermined European cohesion, and the viability of the sanctions regime.\textsuperscript{88} So as a result virtually every East European country has protested the Nordstream II project to the European commission (including Ukraine). As of this writing the Commission’s decision has not been rendered, but its importance is clear as accepting the project opens the door to a Russo-German energy and thus political condominium at the expense of the EU and its rules in Eastern Europe.

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\textsuperscript{87} Steinhauser, “Germany’s Merkel defends Russian gas pipeline plan.”

\textsuperscript{88} Gerardo Pelosi, “Putin makes overture to Italy over North Stream II”, Sole 24 Ore, January 10, 2016, Retrieved from BBC Monitoring.
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CONCLUSION

Despite the major crisis generated to a considerable degree by collapsing energy prices, the Nordstream II gambit as well as the ongoing energy war with Ukraine show that Moscow will not and indeed cannot stop utilizing the energy weapon. Indeed, due to the collapsing energy prices Moscow is exporting more oil and gas than ever before. Russian gas supplies to Germany increased by 17.1 percent, by 12.6 percent to Italy, by 36.8 percent to France, by 10.2 percent to Great Britain, and by 11.5 percent to Austria.

Germany, Russia’s top gas buyer, purchased 45.3 bcm of Russian gas last year, an all-time high. Should Nordstream II go through, and prices go up as will eventually happen, those outcomes could lead to the Russo-German condominium with corrupting effects on European solidarity and especially Germany while extending Eastern Europe’s dependence upon Russian gas and all the consequences flowing from that. Therefore it is necessary to counter this dependence by stepping up European reliance on other suppliers like the U.S. who can now export gas and oil to Europe thanks to new legislation. This also means building the requisite infrastructure both in the U.S. and Europe, i.e. interconnectors across Eastern and Central Europe, as is now happening. With the construction of the Polish and Lithuanian LNG terminals and the network of interconnectors coming into play, gas from Azerbaijan and the U.S., not to mention Middle Eastern suppliers and even Norway, can go to Europe and be distributed across the continent. Other key moves are ensuring the Southern corridor through Azerbaijan and ultimately Central Asia that brings gas to Turkey and then to the Balkans and beyond, the implementation of the European Commission’s Third

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89 UPDATE 1-Gazprom says Russian gas exports to Europe up 8 Pct in 2015’ Reuters, January 11, 2016.
Energy Package preventing Russian monopolization, and strengthening of trends towards an all-European gas policy. None of this will end Russian energy exports to Europe, an outcome that is, in any case, impossible and inconceivable. But these measures, plus the return of new production to market when prices revive will allow for the globalization of the gas market so that it becomes more like the oil market where oil is traded as a commodity in strict business terms whereas gas is intrinsically a political product given the necessity of pipelines and other infrastructure.

Only by moving forward on these kinds of reforms can we reduce the politicization of gas and oil exports, the corruption of European politics by Russia, and the destabilizing use of energy as a political and other weapon to consolidate the Putin regime at home and empire abroad. These moves are not going to happen overnight but we must move forward because if we do not do so the prospects for war in Europe, which are no longer inconceivable, will remain, and could well grow in likelihood. And as Russian elites regularly and have officially stated, the cause for that struggle might yet become the struggle to control Russia’s energy resources. And by then not only the energy weapon but every other one may have been deployed.
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The Fragile Foundations of the ‘Asian Century’

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Abstract

The relative period of peace in East Asia since the Second World War has largely been underwritten by not just growing prosperity, but the prospect that peace and stability will automatically generate opportunities for countries to grow rich and contented – as has occurred in South Korea, Japan and Taiwan.

In reality, the arrival of this so-called ‘Asian Century’ is no sure thing. There are significant headwinds or obstacles which may prove difficult for many regional developing countries to overcome. These range from the declining effectiveness of an export-dependent growth model, developments in manufacturing technologies that will dilute the region’s existing advantages, and the problems and cost of aging demographics which will be challenging for many countries to manage.

This means that in an environment where the lack of economic gains fails to temper deepening strategic competition and rivalry, the first few decades of this century may well be more traumatic and troubling than the last few decades of the previous century.

Key words: Asian century; export-dependent growth; regional trade; emerging manufacturing technologies; Asian demographics
INTRODUCTION

It is widely accepted that we are now entering the second decade of what will become known as the ‘Asian Century’. This argument is based on the argument that economic power is shifting from West to East, and such economic shifts will invariably have strategic and military implications. In short, the economic rise of East Asia, and relative economic decline of North America and Europe will fundamentally reorganise the distribution of power in the world.

The evidence that we are well into an Asian Century appears compelling. In 1960, and using World Bank figures, East Asia accounted for a mere 14 percent of global GDP, rising to about 27 percent currently. If linear trends continue, the region could account for about 36 percent of global GDP by 2030 and over half of all global output by the middle of the century. As if symbolic of a handover of economic pre-eminence, China which only accounted for about 5 percent of global GDP in 1960 will likely surpass the United States as the largest economy in the world over the next decade.

The link between rising economic wealth and increased military spending also seems compelling. According to figures produced by the Stockholm International Peace Research Institute or SIPRI, East Asia accounted for 6.4 percent of global military expenditure in 1988, rising to 13.2 percent in 1998, and 19.5 percent in 2014. (SIPRI 2015) If past record is an indicator of future performance, then the ‘Asian Century’ prediction is close to a sure thing.

In reality, the arrival of the Asian Century is no sure thing. More than this, there are significant headwinds or obstacles which may prove difficult for many Asian countries in the region to overcome. These range from the declining effectiveness of an export-dependent growth model, developments in manufacturing technologies that will dilute the region’s existing advantages, and the problems and cost of aging demographics which will be challenging for many
countries to manage.

This means that while it might still be prudent for governments to prepare for the challenges and complexities associated with an ‘Asian Century’ such as increased military spending and competition normally associated with rising economies, serious thought should also be given to the possibility of problems associated with large and populous countries with struggling economies and unstable political-economies and societies.

**STRAINS IN THE ‘EAST ASIAN’ ECONOMIC MODEL**

Rapidly developing East Asian economies since after the Second World War – Japan, South Korea, Taiwan, Singapore, Malaysia, Thailand, and most recently China - have all relied upon a remarkably similar export-manufacturing model. While there are differences as to the level of state involvement and intervention in these countries during their stage of rapid economic development, their developing models all essentially involve producing export-ed products for advanced economy consumers cheaper, faster and more reliably than can be done in other countries or regions. Those predicting the ‘Asian Century’ assume that what worked in the past and present will continue to work for populous countries such as China, Indonesia, Vietnam and Burma –still low- to middle-income economies seeking to replicate what fully industrialized neighbours have achieved.

At the heart of this so-called East Asian model of rapid economic development and industrialization is the emphasis on developing a strong export-manufacturing domestic sector that is bolted onto a highly protected domestic consumption market. In addition to the natural advantage of being able to offer a cheap and plentiful supply of low cost labour, state interventionist policies were implemented
to attract foreign firms and capital into the export-manufacturing sectors. These include tax concessions and subsidies given to domestic and foreign firms to locate manufacturing plants in various East Asian countries. Export-enhancing policies also include East Asian currency regimes that artificially suppress the value of the domestic currency from rising against Western currencies, making the cost of capital entering into these East Asian countries and buying products made in these countries cheaper for Western firms and consumers respectively.

The export-orientated model has also been aided by advances in logistics and transportation that allows transport of goods to become ever more economical, especially with the rise of container shipping. For example, one study estimates that transportation networks are now so efficient that if carried on a 55,000 ton ‘super ship’, it costs about 2.5 cents to ship a T-shirt from Asia to America, or 1 cent to ship a can of beer across the same distance using calculations from 2012. (George 2013)

In theory, export-manufacturing models can be applied to an economy with low labour and other costs. In practice, East Asia has out-done every other developing region in the world since the second half of the previous century. If there were any doubt this is the case, and export-manufacturing is at the heart of East Asia’s rise, then one should consider that East Asian manufacturing trade as a proportion of global manufacturing trade has increased from about 12 percent in 1970, to 26 percent in 1990, to over 35 percent currently. The Association of Southeast Asian Nations or ASEAN’s share of global export-manufacturing increased from a miniscule 0.3 percent in 1970 to about 6 percent currently. China is the contemporary outstanding individual performer increasing its share of global export-manufacturing from 0.5 percent in 1970 to over 15 percent currently. Similarly, and at the peak of Japan’s economic rise in 1990, its global share of export-manufacturing exceeded 12 percent. (Lee 2013a, 2013b, 2014a, 2014b)
In East Asia, more than two-thirds of all manufacturing is for the export sector. For highly export-dependent countries such as Malaysia and Singapore, the figure is over 85 percent while for exporting powerhouse China it is about 60 percent. (Lee 2014a) Although the rise of East Asia as the central hub of global export-manufacturing production has been the driving force behind the impressive growth in the region, the economic gains in Asia are often treated as if they have occurred independently of the West. In reality, advanced Western economies, and America in particular, has been and remain essential to the growth story of East Asia for a couple of important reasons.

For starters is the obvious truism that export-orientated growth models require consumers. (Athukorala 2005; Ma et al 2013) While the relatively open and accessible domestic consumption markets of the U.S. and European Union are about US$12 trillion each, the entire domestic consumption markets of East Asia is under US$10 trillion (using World Bank figures and based on the author’s calculations.) China’s is about US$3.4 trillion and Japan’s US$3 trillion. Even then, Asian domestic markets are much more restricted to outside firms than Western markets and much of the consumption in low- and middle- income countries in Asia – including China – take in non-tradable and poor quality goods which are of little interest to exporters.

The importance of the advanced economy consumer to the prosperity of Asian economies is further reaffirmed by figures showing that having averaged 6-7 percent growth per annum a decade before the global financial crisis, average GDP growth in the developing countries in East Asia (excluding China) fell to 0.6 percent in 2009. Even China’s GDP growth plunged momentarily to almost zero percent in 2008-09 as the economic turmoil in the West shaved an estimated 5 percent of its 2007-8 growth rate before Beijing responded with a four trillion yuan stimulus, the largest in economic history and equivalent to about 14 percent of its 2008 GDP.
Moreover, it is clear that Western markets remain the predominant driving force behind trade between East Asian countries. The majority of trade between East Asian countries is driven by ‘processing trade’ in which parts are shipped in for further assembly or modification before being shipped out again. The iconic illustration is that of Apple’s iPod, which while designed in California, is made up of parts that could come from over 20 countries and traverses assembly lines that can encompass Thailand, Malaysia, South Korea, the Philippines, Singapore, Taiwan and China. It is estimated that around two-thirds to three quarters of all trade within and between East Asian countries is ‘processing trade’, with around 70 percent of all manufactured end products destined for advanced economy countries. Indeed, East Asia’s share of global share in processing trade increased from 26 percent in 1995 to 35 percent in 2009. (WTO et al, 82-6)

This is evident in figures showing that while ASEAN-China trade had grown in high double digit rates per annum for the previous ten years, trade between China and ASEAN immediately contracted by 7.8 per cent with the onset of the 2008 global financial crisis that plunged the Western markets into recession. When it came to specific countries, Sino-Malaysian trade actually declined 1.7 per cent in 2009 from the previous year, having grown at a remarkable 21.7 per cent per annum (compounded) in the 10 years before. (Lee 2014a) It was even worse in terms of the decline of Chinese two-way trade with other neighbours in the same period. Figures for 2008-2009 show that Chinese two-way trade with Singapore, Japan and Thailand declined 15.7 per cent, 21.5 per cent and 9.8 per cent respectively. (Lee 2013a, 2013b, 2014b) Remember that this all occurred despite China’s economy, the largest in Asia, growing at almost 9 percent over this period.

Second, it is worth noting that the importance of export-manufacturing to the region’s economic future is not just about enlarging GDP through growth in net exports; it is also the primary way
significant improvements in innovation and competitiveness occur in these domestic economies. High and middle-income countries such as Japan, South Korea, Taiwan, Singapore, Malaysia and China all began by being importers of innovation and know-how, and the latter remains largely dependent on doing so for its continued development. This has occurred through an export-manufacturing model that encourages advanced economy firms to establish manufacturing operations in one’s country, after which the positive flow-on effects will be passed on to the domestic economy.

Indeed, the leading sources for foreign direct investment (FDI) into China, Japan, South Korea, Singapore, Malaysia, and Vietnam are all advanced economy firms – all from the West as well as Japan and South Korea - with developing giants such as China not included in the top five source countries for FDI in any of East Asia’s export-orientated economies. Around four-fifths of all FDI into East Asia is destined for export-manufacturing sectors. To emphasize the dominance of advanced economy firms in the export-manufacturing sectors, firms owned by advanced economies are behind some two-thirds of all manufactured goods for export out of East Asia, with the figure rising to above 80 percent for countries such as Malaysia. (Lee 2015)

Besides dominating regional export-manufacturing, advanced economy firms are needed to develop the domestic capabilities of East Asian economies. Manufacturing drives over three-quarters of all research and development (R&D) is East Asia, most of it undertaken by foreign advanced economy firms for export. In the East Asian powerhouses of China, Japan and South Korea, export-manufacturing sectors account for the lion-share of national R&D. Industrialisation and innovation arising out of export-manufacturing was been the most powerful driving force for Japan when it reached second in the global rankings for manufacturing output by value in 1990, and has been the most powerful driving force for China when it claimed the number two position from Japan under this measurement in 2010.
For still developing countries, export manufacturing is particularly important. To offer China, as one illustration, the export-manufacturing sector directly employs up to 50 million people, offering Chinese citizens some of the best jobs in the country. The sector indirectly employs another 100-150 million people. (Xiaoyu et al 2013) In China, manufacturing (the majority of which is for export) creates hundreds of millions of dollars in services demand. In addition to the absolute number of jobs generated by export-manufacturing, the sector contributes more than twice as much to productivity growth as its employment share. (World Bank 2013)

More broadly, we know that technology transfer and know-how, as well as other beneficial industrial spill-over from advanced economy firms are accelerated when world class multinationals are obligated to form joint-ventures with local firms as is required in many sectors in China. This is an approach pioneered in Japan and South Korea during their decades of rapid development. The persistent bottom line is that the emergence of world class Asian companies and brands such as Samsung and LG in South Korea or Huawei and Lenovo in China would not be possible without the technology and know-how transfers from Western companies such as Nokia, Phillips, Hewlett Packard, Motorola or Dell locating manufacturing plants in the region.

To be sure, there are differences amongst those economies not yet fully developed. Middle-income countries like Malaysia, and those close to attaining that status such as China, are seeking to move up in the world by being able to match the innovation and productivity levels of fully industrialised peers. Even if China, in particular, is less dependent on net exports to generate growth now than it was in the previous decade, it is still heavily reliant on the activity of foreign firms in its export-manufacturing sector to further develop an innovative and world class domestic industrial base. In comparison, poorer countries such as Indonesia, Vietnam and Myanmar are seeking to exploit their plentiful supply of low cost la-
bour and do what China did in the 1990s and 2000s, and Japan did in the 1970s and 80s by grabbing a larger slice of the export-manufacturing pie and make products for the world’s wealthy consumers.

Replicating what advanced economies have achieved through export-manufacturing makes sense for low- and middle-income countries in East Asia. It is a proven pathway toward mass job creation, higher wages and living standards for one’s population, and promoting innovation and industrialisation in once moribund economies. But while the model has proven its effectiveness, these opportunities are becoming more contested for a number of reasons.

One is that East Asian countries will increasingly compete with each other for a larger share of export manufacturing in terms of volume, and compete with each other to seize the higher ground when it comes to adding value in processing trade. For example, and in 2000, China made 40 percent of Nike’s shoes when wages was still relatively low, while Vietnam made 13 percent of the shoes. As wages have risen in China, its production share of Nike shoes is now about 30 percent while Vietnam’s share has increased to 42 percent. (Harris 2015)

At the same time that China competes with countries such as Vietnam for the lower-skilled market, it is also determined gain a greater share of regional production of high-value added exported goods. Beijing’s ‘indigenous innovation’ drive and the billions in subsidies that have been offered to its exporters is focused on producing higher value goods for export markets. (Haley et al 2013)

Given the enormous size of its economy and the numbers of Chinese workers in its export manufacturing sector, the emergence of China as a trading superpower is becoming less an opportunity and more a threat to exporters in smaller East Asian countries, particularly since regional and global export markets become more saturated and over-capacity worsens in the region. This will increasingly put Chinese exporters in direct competition with low-income countries such as Vietnam, Myanmar and Indonesia, middle-income
countries like Thailand and Malaysia, and high-income countries like South Korea and Japan.

When one examines the non-uniform export growth performance throughout East Asia, one can already find evidence for this. From 1995-2009, Vietnam, China, Thailand, Singapore and Indonesia have enjoyed average annual export growth (in value terms) of intermediate goods of 23 percent, 16 percent, 8 percent, 6 percent and 6 percent respectively. In contrast, Japan, Malaysia, the Philippines, Taiwan and Singapore have had growth of only 1 percent, 4 percent, 4 percent and 5 percent respectively. (World Trade Organisation) China's rise as an export competitor for advanced economies in the region is particularly notable. Over the past two years, China's exports have grown by 5 percent on average in dollar terms. At the same time, exports from South Korea and Taiwan have grown by only 2 percent, while Japan's has fallen by 6 percent. (Economist 2015)

Moreover, the East Asian model will also become increasingly fragile for other reasons. Since the 1950s, this model of rapid development and industrialization has laid the foundations for a handful of countries with a combined population of around 250 million people to reach high-income status. Although a proven model, countries with a combined population of almost two billion people are now seeking to replicate the success of countries such as Japan, South Korea and Taiwan to reach middle-income status (US$15,000 per capita), before escaping the 'middle-income trap' and become fully industrialised and wealthy nations.

The problem is that when Japan, South Korea and Taiwan embarked on this pathway in the 1970s, their combined populations was around 50 million. These countries were servicing the consumption needs of some 400 million people in the industrialised economies in North America and Western Europe.

The equation is now reversed. The one billion or so consumers in the handful of advanced economies (including in East Asia)
might no longer be sufficiently vast to help propel some two billion people in Asia beyond middle-income levels, while those in China with similar buying power to counterparts in advanced economies numbering 50-100 million consumers will not significantly change the equation. This is not even allowing for the very real possibility that low-wage countries with large populations in other parts of the world like Mexico, Ethiopia and Nigeria will also emerge as competitors and adopt export-manufacturing models.

In short, and whereas the growth of intra-Asian trade was once a boon for the whole region since advanced economy markets were large and rich enough to absorb ever increasing volumes of exports in the region, such advanced markets are shrinking in relative terms. This means that the previous opportunities that existed for low-, middle-, and high-income East Asian countries were then sufficiently adequate such that all new entrants to the regional and global trading system could benefit.

Such benign conditions are on the wane for the foreseeable future, and the emergence of ‘predatory’ or mercantilist mindsets may well take hold – not just vis-à-vis China but other East Asian countries as well. We may well be entering into an era of increased trade competition rather than complementarity in the form of extreme currency depreciation policies, unauthorised subsidies for local exporting firms, tariff or regulatory barriers against foreign firms accessing one’s domestic market, or even intellectual property theft on a mass scale to move rapidly up value-chains, including by cyber means.

THE UNCERTAIN IMPACT OF MANUFACTURING REVOLUTIONS ON EAST ASIA

Just as successful export-dependent models and the markets
they serve do not stand still, developments in manufacturing technologies could widen the gap between winners and losers in East Asia. The vast majority of technological changes are incremental – doing things better, faster or cheaper. But genuinely ‘disruptive’ manufacturing technologies are likely to grow in importance. These technologies will change how products are made, how value is created, and alter the basic cost structure of production. All this will likely have enormous and negative implications for low- and middle-income export-orientated countries in East Asia.

The first is advances in industrial robotics, or ‘advanced robotics’ for short. Industrial robots have traditionally taken on a variety of manufacturing tasks in the past, usually jobs that are difficult, dangerous or too physically onerous for humans to do, for example, spray-painting, welding and lifting heavy materials.

Although robots and automated processes have been around for decades, the emerging revolution to traditional manufacturing is occurring for a number of reasons.

The first is that these technologies are becoming less and less expensive, meaning that they will make more commercial sense even in smaller scale operations – already a reason for this exponential growth. For example, the average cost of robot prices have more than halved since 1990 even as they have improved in reliability and speed. Robots used in electronics manufacturing, a critical sector in East Asia’s export-dependent economies, cost less than half of the minimum wage in the United States. The calculation is similar in other crucial regional industries such as computers, transportation and machinery where reliance on robots is expected to increase significantly. (Boston Consulting Group 2015)

Another is that industrial robots are becoming ever more sophisticated in what they can physically do, making them truly ‘advanced’ and also disruptive. This means that they are no longer just machines used for assembly and packing type tasks. When ever-improving mechanical designs and capabilities are matched with al-
ready occurring advances in what industrialists call the ‘automation of knowledge – encompassing advances in artificial intelligence, machine learning, voice and instruction recognition etc., - robots can be trained to follow new routines through user-friendly but powerful touch-screen interfaces and even via complex oral commands. In other words, robots are increasingly being used to not just perform repetitive task faster and more reliably than humans, but to also work within traditional human environments.

Moreover, advanced robots are increasingly capable of realising and correcting their own mistakes, and those of other robots or humans. They can increasingly sense problems in the manufacturing process and improve them without human instruction. Using other advances in information and communication technologies, they may even be able to communicate and coordinate processes with each other in real time, even with robots thousands of miles away.

The robotic revolution is already well underway. In 2010, the number of automatic robots in use passed the one million mark. In 2013, 179,000 were sold, jumping from 118,000 in 2010. Over the past five years, sales of manufacturing robots have increased by well over 20 percent each year. (International Federation of Robotics 2015) More than one third are bought and used by the electronics manufacturing and automotive industries – the two most important export-manufacturing sectors in East Asia - with rubber, plastics and metal products sectors also figuring prominently. The McKinsey Global Institute estimates that the advanced robotics sector could have an economic footprint of up to US$1.4 trillion in manufacturing alone by 2025, focused mainly in the healthcare and manufacturing sectors. The same study predicts that advanced robots in manufacturing and services sectors could replace between 40-70 million full-time workers by this same period. (Manyika et al 2014)

A second technological revolution is additive manufacturing, commonly known as 3D printing. This is a process that builds objects layer-by-layer rather than through pre-existing moulds or
through melding pre-existing parts together. 3D printing can begin with basic materials such as powders, liquids, filaments or sheets to create objects made from materials such as plastic, metal, ceramics, glass, paper, and increasingly living cells.

Although describing the exact process of additive manufacturing is not this essay’s concern, the significant aspect of the process is that products and the materials they are made from can be digitised and turned into data, manipulated or altered digitally, then re-made into that new materials or product. This includes manipulation or alternation of not just the design or shape of the product, but also complex internal structures that might improve strength, durability, functionality, or decrease weight etc. The capacity to “turn data into things and things into data”, as Neil Gershenfeld from the Massachusetts Institute of Technology puts it, make materials, product and design experimentation and innovation far cheaper since it can skip traditional manufacturing steps such as making moulds and sourcing new parts and materials. (Gershenfeld 2012) The digitisation of manufacturing also means that many more minds with access to the data – designers, producers and end users - can fix flaws and add to the innovation process from the inside out.

Estimates are that 3D printing could be used for up to 10 percent of all consumer products and be used wholly or partially for half of all direct product manufacturing within a decade. The former could amount a US$300 billion economic footprint by 2025 and the latter a US$200 billion economic footprint. (Ministry of Trade and Industry 2014) This assumes that traditional manufacturing processes will remain more cost effective for the vast majority of products but with 3D printing taking the lead in more complex, low-volume and highly tailored products to end business or consumer users.

As fantastic as these two examples of manufacturing ingenuity and innovation are, it may not immediately clear why they are ‘disruptive’ to traditional manufacturing, and why such technologies
could spell trouble for East Asia’s export-orientated growth strategy. Even if these technologies fulfil the hopes placed on them, could not the low- and middle-income East Asian countries use these to accelerate their development? After all, China is emerging as the largest purchaser of industrial robots in the world, with one in every five sold in 2013 being bought by a China-based firm. (Powley 2014)

It comes down to what could be the radical and game-changing erosion of East Asia’s cost advantage in export-manufacturing. The cost of production is the sum of capital, labour and land costs. The lower cost of workers and land on which foreign firms locate manufacturing plants has been a five decade old boon for East Asia. For export-manufacturing giants such as China, rising labour and land costs has been offset by the economies of scale that China-based operations can achieve. In other words, in traditional manufacturing, the cost per unit of producing one product decreases as fixed costs are spread out over an increasing number of units produced.

As ever-improving advanced robots become cheaper to buy and install, the traditional manufacturing cost equation is fundamentally altered. For one, the greater the automation, the less and less relevant labour costs become in the manufacturing equation; especially if one considers that robots (unlike human workers) can, in principle, work 24 hours a day for no additional variable cost. In fact, once a firm has committed to the sunk fixed cost of automation equipment in a manufacturing plant, the unit cost of a manufactured product made by a robot decreases with every additional product made. If this is the case, then it will eventually become far less compelling on a cost basis for advanced economy firms to locate manufacturing operations in low- and middle-income countries. Indeed, one estimate is that one quarter of all manufacturing tasks will be undertaken by robots by 2025. (Boston Consulting Group 2015)

To offer one case study, consider the Taiwanese company, Fox-
Foxconn, which makes products for a number of leading Western brands such as Apple in its major manufacturing plants in China. Foxconn located operations in places like Shenzhen because labour was much cheaper in the Chinese province. Employing more than one million workers, Foxconn is now replacing many of them with a growing army of robots. Some reports suggest that a US$20,000 robot can assemble 30,000 iPhones in one year: a cost of 66 cents per unit assembled. (Apple Insider 2014) This should be the similar whether the robot is located in Shenzhen or Detroit. For Foxconn, or others like it, there may be less reason to build future automated plants in low- or middle-income countries in Vietnam or China.

Indeed, global brands consistently name supply chain risk as one of their major ongoing concerns when it comes to manufacturing. If a product is designed in America and sources the most valuable components from other advanced economies, using robots to assemble the product in developed countries with reliable regulatory, legal and judicial institutions seems to be a far less risky supply chain option than if the automated plant was located in China or Indonesia – developing countries with riskier environments and weaker commercial institutions. Bear in mind that while China emerged as the largest purchaser of robots in 2013, the majority of purchases of advanced robotics was by foreign owned firms headquartered in advanced economies with manufacturing operations in China. It seems only a matter of time before these firms move their automated plants to advanced economies in order to mitigate supply chain and political risks inherent in less developed countries with more opaque and unpredictable political-economies.

Moreover, if the primary consumption markets are in the advanced economies, and labour costs of manufacture are less of an issue, then it makes more sense to eventually locate automated plants closer to the end consumer. Doing so will reduce transportation costs (even if these have fallen dramatically over the past few decades) and duration from when a product is designed to when
it is completed and shipped directly to the consumer. It will also allow firms to be more responsive in terms of troughs in consumer demand by reducing outlays for redundant labour.

But advanced robotics is not only about making labour costs less relevant. As automation becomes more sophisticated and ‘intelligent’ in the ways described above, the factory manager will be less the boss of a team of production line workers and more likely a highly-skilled computer scientist, engineer, or systems analyst – skills which play into the hands of workers in advanced economies. As advanced robots communicate and work with each other — often with another robot some distance away — such manufacturing firms will need to exist in commercial environments where trust and cooperation between third parties is primarily the function of a political-economy that upholds the rule-of-law. This includes areas such as contract law, property and intellectual property rights, and commercial confidentiality rather than the guanxi-type societies that prioritise personal and social networks and loyalties as the foundation of trust and cooperation. The former are characteristics of advanced countries such as Japan, Taiwan, Singapore and South Korea rather than China, Indonesia or Vietnam.

Given the more limited application of the technology and the fact that the process is still cumbersome and slow (even if print speeds are rapidly improving,) the future of 3D printing is less assured than advanced robotics.

Like automation, 3D printing lowers the relevance of manufacturing workers, making labour costs less important in the cost equation. On a cost per unit basis, a 3D printed product is fairly constant whether we make one or one thousand products. This means that 3D printing could well be more cost effective when producing a low number of products. In addition to the fact that 3D printing operations can be done in smaller spaces, making it a technology eminently suitable to operate in crowded modern cities, advanced economy firms will have few incentives to locate 3D
printing operations in low-income countries.

The technology is highly suited to producing complex, low-volume and highly customizable products more applicable to advanced economy than developing markets. For example, highly advanced Western companies such as Boeing are using 3D printing for around 200 different parts for ten aircraft platforms.

But the true disruption is in the way 3D printing allows designers, end users and producers to experiment and innovate from the inside out. This means that advanced economy firms with a current stranglehold on products with advanced designs and materials will be the first to digitize their products and allow their stakeholders – generally other advanced economy entities - to improve the product and introduce innovations at low cost. For example, NASA and Boeing have signed a multi-billion dollar agreement to develop a giant rocket that could go into deep space. Imagine what scientists, engineers and other highly skilled workers from these two American organisations could come up with using 3D printing processes and technology to experiment and innovate?

Possibilities such as the one above are significant. While the traditional value-proposition of export-orientated East Asian economies was to produce commodity goods advanced economies needed at lower cost, 3D printing facilitates the development and production of tailored products and maybe even whole sectors that completely bypasses the low-cost cookie-cutter offerings of developing economies. Far from moving up the manufacturing value-chain as developing Asian economies hope to do, many will not be able to even add value when it comes to products designed and produced by 3D printing processes. Like many new technologies, 3D printing (and advanced robotics) may well exacerbate inequality between developed and developing countries rather than lessening it.

It is impossible to know which manufacturing technologies will take-off and become genuinely ‘disruptive’ in the future. This paper does not offer solid predictions of what manufacturing will look
like in one or two decades’ time. Instead, it is to offer arguments – economic and technological - why an export-orientated model that worked for a small number of East Asian countries in the past may not work so well for the many into the future.

CONFRONTING THE CHALLENGES OF AN AGING EAST ASIA

The ultimately purpose of economic growth and expansion is to improve the living standards of a country’s citizens. Throughout Asia, especially in those countries yet to achieve full industrialisation, the stability of government and society depends on it. This applies particularly to authoritarian regimes in China and Vietnam, to fledging democracies in Myanmar and Indonesia, and incomplete democracies in Malaysia, Singapore and Thailand.

The imperative of economic growth is made more urgent, and more difficult by the fact that much of East Asia is a rapidly aging zone. Throughout Northeast Asia, the median age will jump from about 30 years to over 40 years (which will make it a ‘greyer’ zone in 2035 than Western Europe is today.) In 2035, Japan’s median age will be around 50 years, while South Korea’s will be about 44 years.

As a rapidly growing but still developing country, China is of the greatest interest. China’s economic reforms and subsequent spectacular growth began in 1979 when the country was just entering a boom period characterized by the massive availability of young labour and little need to care for those retiring from the workforce.

For example, the proportion of the working age population (15-64 years) was over 73% of the overall population in China in the early 1980s. Current at 68%, it will reach a peak (as a percentage of overall population) at around 2016, before declining to around 65% in 2020 and 60% in 2035.
To draw this out in a different way, there are currently around 115 million Chinese people over 65 years. By 2035, there will be around 320 million with the overall population only around 100 million larger than it is today. Even within the working population, there will be 4.5 older workers (50-64 years) for every three younger counterparts (15-29 years), which is the reverse of the situation currently. There will be over 100 million less young workers (15-29 years) in 2035 than there are today. Currently, less than 10% of the population is over 65 years. This will rise to around 13% in 2020 and 25% by 2035 – which is worse than Western Europe.

If we take the 2020 projections as a point of comparison, China’s GDP per capita is less than one third of what Japan’s was at a similar age demographic moment in the latter’s history. (This generously assumes 8% GDP growth per year in China.) This means that China will almost certainly be the first major country in modern history to grow old before it grows rich. (Lee 2013c)

The age demographic makeup of Southeast Asia is also troubling in some contexts. There are significant age-demographic differences amongst major countries in this area. For example, up to 2020, Singapore, Vietnam, Thailand, Malaysia, Indonesia and the Philippines all have favourable working-age demographics.

However, by 2035, age demographics will favour only the Philippines, Indonesia and Malaysia. Rather than a ‘demographic dividend’ – economic growth arising out of young workers with few familial responsibilities - Singapore, Thailand and Vietnam (in descending order) will experience a growing ‘demographic tax’ as their population ages. Singapore is the only ‘rich’ country on this list, allowing it to punch above its population size. Malaysia is a middle-income country (over $15,000 per capita) trying to escape the ‘middle-income trap’ while the rest are low-income countries (less than $10,000 per capita.) Even so, Indonesia, the Philippines, Vietnam, Thailand and the Philippines remain significant players by virtue of population size which currently stands at about 240
million, 94 million, 87 million and 70 million respectively.

Incidentally, and within the broader Indo-Pacific, India’s demographics – in addition to the size of its country – is likely to be highly significant. Over the next 20 years, its total population is set to grow by over 1% each year, and will probably overtake China in population by 2035. Importantly, almost all of the growth will be in the working age population, particularly 30-50 years old. By 2035, and with a median age of 31 years, only 8-9% of its population will be over 65 years.

It is also a little known fact that over the next two decades, America will be more youthful, and will be aging more slowly, than any of the Asian industrialized ‘tigers’ or China. Its population will grow by over 20% from now until 2035, meaning that its share of global population will remain steady up to 2035. Between now and 2025, the median age will only rise by about 2 years (from 35.5 to 37.5 years.) By 2035, the ratio of working age people to retirees will be around 3.3:1 compared to 2.5:1 in China. When China began its reform period in 1979, the ratio was about 7:1. (Lee 2013c)

**IMPLICATIONS AND CONCLUSION**

The political and social pressure on developing countries and their governments to grow rich before they grow old will be considerable. The legitimacy and standing of many of East Asia’s governments and established political parties depend heavily on national economic performance and opportunity.

Similarly, choosing stability and peace over instability and conflict in the region is commonly premised on the argument that the former will deliver economic prosperity to individual countries and the region, and that East Asia will rise or fall collectively.

Yet, and as the earlier sections argue, export-dependent growth
models from previous decades are unlikely to work as well into the future as they have in the past. In pursing similar export-dependent models, regional economies are more likely to view each other as competitors rather than as partners – both in terms of competing for jobs and in attempts to move up the value chain within the integrated production and manufacturing networks in the region. Emerging technologies are forcing wages down rather than up, while many jobs crucial for developing countries will become redundant and non-existent.

This will make it far more difficult for several countries to grow rich before they grow old. And as their population ages and productivity improvements level off as is usual with aging societies, failure to reach middle- or high-income status on a per capita basis will increase the social and political pressures on those countries and governments. (World Economic and Social Survey 2007) In turn, the economic and fiscal costs for these countries will increase markedly.

It is a sure thing that some countries will not make it to middle-high income status before they grow old. In the region, only Japan, South Korea, Taiwan and Singapore have reached that happy destination. Should China fail to manage its transition and achieve the attainment of what its leaders call a ‘moderately prosperous society’ over the next decade or two, the consequences for the region, and perhaps the world will be unpredictable. (Xinhua 2015) Economic failure in Vietnam will have consequences for Indo-China, and the same for Indonesia throughout in Southeast Asia etc. Still existing rivalries between many countries – China-Japan, Indonesia-Malaysia-Singapore, Vietnam-Thailand, Myanmar-Thailand to name several – are more likely to worsen in the event of economic stagnation or turmoil. Managing the fallout of economic failures throughout the region should not be underestimated.

More broadly, the relative period of peace since the Second World War has largely been underwritten by not just growing pros-
perity, but the prospect that peace and stability will automatically generate opportunities for countries to grow rich and contented. In an environment where strategic and competition and rivalry may be growing rather than subsiding, and where actual or anticipated economic gains are failing to temper such strategic rivalries, the first few decades of this century may well be more traumatic and troubling than the last few decades of the previous century. Meaning the United States may well remain the indispensable power in East Asia this century as it was in the back half of the previous one.
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Human Rights in North Korea:
A European Perspective

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Abstract

North Korea commits massive human rights violations and crimes against humanity. A 2014 report of an UN Commission of Inquiry and various human rights organizations describe these violations. However, for three reasons they are largely ignored and do not get much attention in the European public and media: First, North Korea’s professional control of information and images seem to be working effectively; second, from the European perspective, North Korea is a peripheral, far away and culturally strange place, markedly distinct from Europe’s own familiar real life situation; third, for Europe’s foreign policy actors priority objectives were always the prevention of nuclear armament and the promotion of détente in the Korean peninsula. As a matter of fact, there are no obvious practical solutions to the North Korean human rights tragedy for the time being, especially if the differing political objectives of her neighbors are taken into account. Nevertheless, the international community shall not slacken in its recently increased commitment for human rights in North Korea. Neither the fact that a direct influence on the events in North Korea is impossible nor the obstruction by China and Russia in the UN Security Council should keep the international community from discussing the situation of human rights in the DPRK publicly, permanently and extensively.

Key words: Human Right, DPRK, Security Council, International Community
INTRODUCTION

In February 2014, the UN Commission of Inquiry (COI) on human rights in the Democratic People’s Republic of Korea (DPRK) of the UN Human Rights Council, published a report about North Korea’s human rights situation unprecedented in scope and depth. The Commission’s analysis portrays massive human rights violations and crimes against humanity:

The gravity, scale and nature of these violations reveal a state that does not have any parallel in the contemporary world. Political scientists of the 20th century characterized this type of political organization as a totalitarian state: A state that does not content itself with ensuring the authoritarian rule of a small group of people, but seeks to dominate every aspect of its citizens’ lives and terrorizes them from within. (UN COI 2014, 365) However, these “unspeakable atrocities” are largely ignored and do not get much attention in the European public and media.

North Korea terrorizes its own population with widespread executions, torture, disappearances, and arbitrary detentions, as the Commission meticulously describes in its report of about 400 pages. On December 18, 2014, the UN General Assembly condemned these violations and encouraged the Security Council of the United Nations to refer the case to the International Criminal Court (ICC). The Security Council did not follow the recommendation, mostly because of the expected veto by China and Russia. The European Union and in particular Germany - mindful of its own past - should continue to address North Korea’s human rights situation in the United Nations and press for more action of the international community.
THE UNITED NATIONS AND HUMAN RIGHTS IN NORTH KOREA

The Commission of Inquiry on human rights in the Democratic People’s Republic of Korea was installed in March 2013 by UN Human Rights Council resolution 22/13 that was adopted unanimously without a vote. The initiative to take a closer look on North Korea’s human rights situation came from the Human Rights Council’s Special Rapporteur on the situation of human rights in the Democratic People’s Republic of Korea, Marzuki Darusman (Indonesia), who was supported in this initiative by a group of other special procedures mandate holders. Mr. Darusman was also one of the three members of the COI, together with Michael Kirby, a former judge from Australia and chairman of the Commission of Inquiry, and Sonja Biserko, the president of the Serbian Helsinki Committee for Human Rights (UN Human Rights Council 2013). The COI published its report on February 28, 2014. As a reaction to the devastating and horrible findings of the COI, the UN Human Rights Council strongly condemned the human rights situation in North Korea in its resolution 25/25 on March 28, 2014. 30 states voted in favor, 6 against, and 11 abstained (UN Human Rights Council 2014).

On December 18, 2014, the UN General Assembly followed suit. The Assembly also strongly condemned North Korea’s human rights situation in its resolution 69/188 that was primarily authored by the European Union and Japan. The General Assembly acknowledged the results of the COI’s report and decided to submit it to the Security Council and encouraged the Council to take appropriate action in order to ensure accountability for the human rights violations. The resolution mentions the possibility for the Security Council to refer the case to the International Criminal Court and/or impose targeted sanctions against those persons who appear to be the most responsible for the crimes against humanity that the COI have
found to have taken place. The resolution was adopted by 116 votes against the votes of China, Russia and 18 other countries. 53 countries abstained (UN General Assembly 2015, 6; UN Security Council 2014, 10). The resolution was not only a breakthrough because of the large majority of states condemning the human right situation in the DPRK, but also because of its tough wording. For the first time, it mentioned a possible prosecution of the persons responsible for major human rights violations in North Korea by the ICC (Lee 2015, 3).

Subsequently on December 22, 2014, North Korea’s human rights situation was discussed in the Security Council for the first time ever. Two of the permanent members, China and Russia, were against a discussion of this topic, but could not obtain a majority which would have been necessary to alter the agenda. They argued that the problems and tensions on the Korean peninsula could only be resolved through dialogue and cooperation and that discussing the human rights situation would only increase the tensions and obstruct the dialogue with the DPRK (UN Security Council 2014, 2 and 19-20). Both countries failed to mention that they have no interest to strengthen the international human rights regime and the International Criminal Court.

The majority of the Security Council member states saw the terrible human rights situation in North Korea as a sign of instability and a potential threat to peace in the region and the world at large. Most speakers at the session expressed their grave concern on North Korea’s human rights situation and condemned it strongly. The US ambassador, Samantha Powers, called the country “a living nightmare”. Samantha Powers also condemned North Korea’s threats against other countries, in particular the threat of nuclear annihilation against Japan and other countries that voted in favor of the General Assembly’s resolution criticizing North Korea’s human rights situation (UN Security Council 2014, 9-11).
NORTH KOREA’S HUMAN RIGHTS SITUATION

Methodology of measuring human rights

In most cases it is difficult to evaluate and analyze the human rights situation in a given country in an objective and comprehensive way. The first step is to clarify the standard of comparison against which the human rights situation can be measured. In general, an evaluation can take place in comparison to the country’s own past, i.e. on a historical basis, in comparison to other countries, or against the international human rights standards and their ideal implementation according to international human rights law.

The measurement of human rights is further complicated by methodological problems. The political openness, governmental transparency, the number and quality of human rights non-governmental organizations (NGOs) and other national human rights institutions, as they vary between countries (Ignatieff/Desormeau 2005, 27-28). Accordingly, the human rights situation in advanced democracies is easier to measure than in authoritarian countries, as the latter does not provide much information, censors reports, curtails the press, and suppresses the civil society. For example, while the US detention facility at Guantánamo Bay is common knowledge, even experts have difficulties to identify a single prison in China or Russia, although the conditions of imprisonment in these facilities might be worse than at Guantánamo. According to international human rights law, states have the obligation and duty to respect, to protect and to fulfill human rights:

The obligation to respect means that States must refrain from interfering with or curtailing the enjoyment of human rights. The obligation to protect requires States to protect individuals and groups against human rights abuses. The obligation to fulfill means that States must take positive action to facilitate the enjoyment of basic
human rights. (OHCHR 2015)

These obligations are interdependent and cannot be separated easily (Green 2001, 1071-1072; Welling 2008, 952). In this contribution, the duty of the state to respect human rights, i.e. not to violate them, will be focused on. There are different indicators to measure the implementation of human rights. In general, “a Human Rights Indicator is a piece of information used in measuring the extent to which a legal right is being fulfilled or enjoyed in a given situation” (Green 2001, 1065). The former UN Special Rapporteur Paul Hunt proposed three different types of indicators: structural indicators, process indicators and outcome indicators.

Firstly, structural indicators address whether or not key structures, systems and mechanisms are in place in relation to a particular issue. Thus, a right to health structural indicator would address whether or not key structures, systems and mechanisms that are considered necessary for, or conducive to, the realization of the right to health are in place (UN General Assembly 2003, 8).

Secondly, process indicators measure the degree to which activities that are necessary to attain certain human rights objectives are carried out. Moreover, they monitor efforts, not outcome, as for example the percentage of births attended by skilled health personnel, or how many prison cells conform to international standards of the treatment of prisoners (UN General Assembly 2003, 9).

Thirdly, outcome indicators measure the results as well as effects of state policies and conduct on people’s human rights, e.g. how many people are tortured and ill-treated in which ways (UN General Assembly 2003, 10). This article will focus on outcome indicators, and therefore, the effect of state conduct on the human rights of individuals and groups.

Finally, four different ways to measure human rights can be differentiated: (1) events-based, i.e. reports of human rights violations. This method is used by most human rights organizations, such as Amnesty International or Human Rights Watch, and by most UN
institutions; (2) standards-based, i.e. assessment of human rights usually based on reported events, which are put in a scale. This method allows to construct indices of human rights progress; (3) proxy-based, i.e. use of indicators that were not explicitly developed to measure human rights, e.g. indicators of the World Bank or other international organizations that measure social and economic conditions in countries; (4) survey-based, perception of human rights by the affected population, as for example the World Value Survey asks „How much respect is there for individual human rights in our country?“ (Ignatieff/Desormeau 2005; Landman 2004). With regard to the evaluation of North Korea’s human rights situation, survey-based and proxy-based methods are very limited due to the totalitarian nature of the political system.

**Rankings of North Korea’s Human Rights Situation**

Two common standard-based indices to measure and to classify the human rights situation of a country are the Freedom House Index and the Political Terror Scale (PTS). Standards-based evaluations have the advantage of a rapid and easily deductible classification of countries and the disadvantage of simplifying the assessment of a country. Nevertheless the two indices mentioned may provide a good ranking of North Korea’s human rights situation.

The Freedom House Index of the US-based NGO Freedom House is probably the best-known index for measuring democracy as well as civil and political human rights in the world. Countries are categorized from one to seven (seven is the worst score) in the overall “freedom rating” and in two separate ratings of civil liberties and political freedom. For the last 20 years, North Korea has steadily received seven as a score for all three indices (Freedom House 2015).

Another index is the Political Terror Scale, developed by researchers from the University of North Carolina that gives countries
a score from one to five, with five as the worst score. The index is based on an assessment of annual human rights reports from the US State Department, Amnesty International and occasionally Human Rights Watch since 1976 and evaluates state terror, i.e. state-sanctioned killings, torture, disappearances and political imprisonment. Since 2008, North Korea has received the score five, which translates into “Terror has expanded to the whole population. The leaders of these societies place no limits on the means or thoroughness with which they pursue personal or ideological goals.” (Gibney et al. 2015).

Sources and Legal Basis for the Analysis of North Korea’s Human Rights Situation

Events-based evaluations of North Korea’s human rights situation are conducted according to the findings of the UN Commission of Inquiry on human rights in the Democratic People’s Republic of Korea as well as the reports of Amnesty International, Freedom House and Human Rights Watch. These sources are sometimes interdependent, as they cite and cross-reference each other.

On February 28, 2014, the Commission of Inquiry published a comprehensive account of North Korea’s human rights situation. The report was based on public hearings with over 80 witnesses of human rights violations, who were refugees from North Korea, and over 240 confidential interviews. The confidential interviews were necessary to protect victims, witnesses and their families who still live in North Korea. Additionally, the COI received over 80 submissions from interested states, persons, or organizations and reviewed a high number of other reports and documents prepared by the United Nations, non-governmental organizations, governments, research institutes and academics. The Commission also used commercially available satellite images to confirm the existence of four political prison camps. The North Korean authorities refused to
take part in the inquiry and to cooperate with the COI (UN COI 2014, 10-15).

The main legal basis for assessing the human rights situation in North Korea is customary international law that binds all states, no matter if they have ratified human rights treaties or not (UN COI 2014, 359). For example, arbitrary detention, torture, executions without due process, and enforced disappearances are forbidden under customary international law. They are also a violation of the articles 6 (the right to life), 7 (freedom from torture and cruel, inhuman or degrading treatment), 9 (right to liberty and security of the person), 10 (humane treatment of detainees), and 14 (right to a fair trial) of the International Covenant on Civil and Political Rights (ICCPR). Nearly the same provisions can be found in the articles 3, 5, 9, 10, and 11 of the Universal Declaration of Human Rights (UDHR) (OHCHR 2015).

**Discrimination and Violations of Civil and Political Human Rights**

One characteristic of North Korea’s social and political order is the so-called songbun system, which classifies all citizens into three broad classes “core,” “wavering” and “hostile”—with approximately 51 more specific categories, based on their family’s perceived loyalty to the regime. Freedom House estimates that the “core class” contains 28 percent of the population, the “wavering class” 45 percent and the “hostile class” the remaining 27 percent. The classification determines practically every facet of a person’s life, as for example residency, occupation, career opportunities, access to food, health care, education and other services. Songbun is also reflected through geographic segregation. The North Korean elites are concentrated in Pyongyang, which has a population of over three million people. Ordinary citizens of low or medium songbun are prohibited from living in and even entering Pyongyang. This system of
social discrimination is in part hereditary, i.e. hard work, individual ability and personal political loyalty provide only limited opportunity to improve one’s songbun (Freedom House 2015; UN COI 2014, 75-85).

The North Korean security agencies have sweeping powers to conduct searches as well as to seize and arrest suspects in the country. While a lack of due process is apparent in the entire criminal justice system of North Korea, it becomes most apparent whenever cases are considered to have a political dimension. The more political a case is considered to be, the less a suspect can hope to enjoy even limited due process rights. Suspects of political wrongs are frequently arrested at night, in the street or at their workplace and brought to a detention facility, which resembles practices in other totalitarian countries, as in Nazi Germany (Night and Fog directive) or the Stalinist Soviet Union. People suspected of political crimes are usually held incommunicado and nobody is notified about their arrest, so they simply disappear (UN COI 2014, 209-210).

In North Korea, there exists widespread use of torture and ill-treatment and suspects are systematically degraded, intimidated and tortured. Torture is mostly used in political cases in order to force suspects to confess and name their collaborators. The most commonly reported method was beating the suspect, but sometimes more sophisticated torture methods, like using shackles to hang people upside down, or using long needles that would be driven underneath the suspect’s fingernails, were employed (Human Rights Watch 2015, 409; UN COI 2014, 211-218). Another example is the “pigeon torture”:

‘[Y]our hands are handcuffed behind your back. And then they hang you so you would not be able to stand or sit’ Mr Jeong described. On repeated occasion, Mr Jeong had to spend a full three days at a time in the pigeon torture stress position, enduring excruciating pain: ‘[the pigeon torture] was the most painful of all tortures… [it] was so painful that I felt it was better to die.’ (UN COI
North Korea also frequently applies the death penalty, however, there are no official statistics about it. The Korea Institute for National Unification documented 510 public executions, usually by firing squad, between 2005 and 2012, but the realistic number might be higher. In exceptional cases, automatic machine guns are used to kill the victims, presumably to maximize the terrorizing effect of the public executions that even children have to attend. The use of executions was particularly widespread during the famine years in the 1990s, when the state had to maintain the social and political order amid widespread starvation and malnutrition. Since the 2000s, the number of public executions has dropped, but they remain common. The difference between the death penalty and an arbitrary execution is blurred in North Korea, as the judicial system does not provide for fair trials (Human rights Watch 2015, 409; UN COI 2014, 262-267). After Kim Jong Un assumed power in 2013, executions of high-level officials have remarkably increased.

Other civil and political human rights neither exist in North Korea. Government control over society is absolute and the information policy about the functioning of government is tightly controlled, both with regard to a domestic as well as to an external audiences. All domestic media outlets are run by the state and all publications are subject to strict supervision and censorship. Freedom of opinion and expression (article 19 UDHR), freedom of religion (article 18 UDHR) and academic freedom do not exist, as most religious activities are harshly persecuted and only a few state-sanctioned churches operate in Pyongyang. Nearly all forms of private communication are monitored by a huge network of informants. Freedoms of assembly and association are not recognized and there are no official non-state organizations in North Korea (Amnesty International 2015, 216-217; Freedom House 2015; Human Rights Watch 2015, 408-409).

Considering the horrible situation in North Korea, it is not sur-
prising that citizens are subject to restrictions on foreign travel that are in fact tantamount to a virtual travel ban on ordinary citizens, which is enforced through violence and harsh punishment. Refugees who were caught became arrested and frequently transferred to prison camps (UN COI 2014, 107-108).

At the same time, North Korea sends more than 50,000 forced laborers overseas to earn much needed cash for sustaining the regime. The bulk of forced laborers works in Russia, China and the Gulf states, but a few hundred work in Poland and in Malta, which violates not only the ILO conventions on forced or compulsory labor, but also the European Convention on Human Rights. The laborers usually work between 12 and 16 hours a day, but earn only between 120 and 150 US Dollar a month and are under constant supervision by North Korean security agents. They stay abroad for an average time of three years and are neither permitted to return to North Korea during this time, nor to bring their families with them. The larger part of their wages goes directly to the North Korean state. The remaining share accounts for only 10 to 20 percent of the total. The revenues of the DPRK are estimated at between 1.2 to 2.3 billion US Dollar per year. (Shin/Go 2014, 21-30; North Korea Watch 2015)

The North Korean Prison Camps

Persons held accountable for political wrongs are either immediately executed or brought to political prison camps. Most victims are incarcerated for life and are denied any contact with the outside world. Nobody receives any notification as to whether the prisoners are dead or alive. The camps serve to remove groups, families and individuals that may challenge the current political system from society. The limited information that seeps out from the secret camps generates fear among the general population, creating a powerful deterrent against any challenges to the North Korean authorities
and leadership. The prison camps are located in remote areas and access is strictly controlled. However, officially, these camps do not exist. According to some sources, in case of an armed conflict or revolution, all inmates should be killed in order to destroy the primary evidence of the camps’ existence.

On the basis of the principle of “guilt by association”, the entire family of those persecuted frequently also ends up in the camps. This principle has been particularly effective in oppressing dissent, because anyone willing to oppose the North Korean authorities would have to be prepared to sacrifice not only his or her own life but also that of close family members (with the only exception of daughters that already have married into another family).

Inmates of the prison camps live under total control of the guards and have virtually no chance of escape, as the camps are heavily secured by high perimeter fences that are electrified and have barbed wire. Pit traps and minefields are also placed around the perimeter fence and each camp is surrounded by numerous guard posts and checkpoints. Any attempt to escape is punished by immediate execution, usually by firing squad. Summary executions are also carried out for violations of the camps’ strict rules, disobedience of orders or any other conduct considered worth punishing. Executions are generally carried out publicly to provide a warning to the remaining inmates. There are a variety of other types of punishment, e.g. ration cuts, additional forced labor, solitary confinement, beatings, mutilation or other forms of torture and cruel, inhuman and degrading treatment. As most prisoners have no prospect of release, instead they are subject to gradual extermination through starvation and slave labour in harsh conditions. Every year, a large number of prisoners die of starvation and diseases stemming from malnutrition (Amnesty International 2015, 217; Human Rights Watch 2015, 409-410; UN COI 2014, 220-246). The UN Commission of Inquiry compares the camps to the concentration camps of Nazi Germany and to the gulags of the Soviet Union:
The unspeakable atrocities committed against the inmates … resemble the horrors of camps that totalitarian states established during the twentieth century. …, the inmate population is gradually eliminated through deliberate starvation, forced labour, executions, torture, sexual violence including rape and a denial of reproductive rights enforced through punishment, forced abortion and infanticide. The Commission estimates that hundreds of thousands of political prisoners have perished in these political prison camps over the course of more than five decades. (UN COI 2014, 270)

**Crimes Against Humanity**

In sum, the Commission of Inquiry speaks of gross human rights violations in North Korea. The police and security forces systematically employ violence and punishment in order to create a climate of fear that holds up the current political system:

Making the suspect disappear is a deliberate feature of the system that serves to instil fear in the population that anyone who does not show absolute obedience can disappear at any time for reasons solely determined by, and known to, the authorities. (UN COI 2014, 269) The documented massive violations can be considered as crimes against humanity. Crimes against humanity have to be directed against a particular group and have to entail widespread or systematic human rights violations.

At the Nuremberg and Tokyo trials of German and Japanese war criminals after the Second World War, the term “crimes against humanity” was introduced in international law. The Rome Statute of the International Criminal Court gives the following definition:

For the purpose of this Statute, “crime against humanity” means any of the following acts when committed as part of a widespread or systematic attack directed against any civilian population, with knowledge of the attack: (a) Murder; (b) Extermination; (c) Enslavement; (d) Deportation or forcible transfer of population; (e) Impris-
onment or other severe deprivation of physical liberty in violation of fundamental rules of international law; (f) Torture; (g) Rape, sexual slavery, enforced prostitution, forced pregnancy, enforced sterilization, or any other form of sexual violence of comparable gravity; (h) Persecution against any identifiable group or collectivity on political, racial, national, ethnic, cultural, religious, gender as defined in paragraph 3, or other grounds…; (i) Enforced disappearance of persons; (j) The crime of apartheid; (k) Other inhumane acts of a similar character intentionally causing great suffering, or serious injury to body or to mental or physical health. Extermination includes the deprivation of access to food (ICC 2015, 3-4).

The Commission of Inquiry focused its work on six groups that could have been victims of crimes against humanity in North Korea: inmates of political prison camps; inmates of the ordinary prison system, in particular political prisoners among them; religious believers and others considered to introduce subversive influences; persons who try to flee the country; starving populations; and persons from other countries who became victims of international abductions and enforced disappearances (UN COI 2014, 319). According to the COI, there is credible evidence that North Korea commits crimes against humanity as the state is carrying out a systematic and widespread attack against anyone who is considered to pose a threat to the political system. What is more, the state has also led a systematic and widespread attack against the general population by condoning starvation and thereby sacrificing the lives of large numbers of innocent, ordinary citizens in order to preserve the political system and its leadership. Finally, North Korea abducted a large number of persons from other countries in a systematic and widespread manner (UN COI 2014, 320-351).

During a terrible famine in the 1990s, hundreds of thousands of people died in North Korea due to starvation. Millions who survived suffer from long-lasting physical and psychological harm. The exact numbers are unknown. Access and distribution of food
is part of the overall system of control of society, as food ratios are distributed according to songbun status. Since the late 1980s and beginning of the 1990s, it was apparent to the North Korean leadership, that a food shortage existed due to insufficient agricultural output and a shortfall of food aid from China beginning in 1992. Natural disasters in 1995 and 1996 aggravated the crisis, but the government did not react appropriately and called for international assistance only in 1995. While ordinary citizens starved and died, the leadership lived in luxury and advanced the personal cult of the Kim family. Existing resources were not spent on food provision, but on military spending or other nonessential goods. International food aid was not distributed following humanitarian considerations, but on other grounds, such as the songbun system. Even though the situation has improved after the famine in the 1990s, hunger and malnutrition remain widespread until today. The COI speaks of “crimes against humanity of starvation” (UN COI 2014, 144-208).

The COI estimates that since 1950 over 200,000 persons have been abducted from South Korea and other countries and have been held against their will in North Korea. The vast majority of them were abducted during or immediately following the Korean War from 1950 to 1953, by the DPRK’s armed forces and secret services. People were forcibly displaced with the intention to secure labor and other skills for North Korea. All victims are denied the right to leave the country (UN COI, 317-319).

Ultimately, the Commission discussed the question, whether the gross human rights violations could be designated as a genocide. Over a span of more than fifty years, hundreds of thousands of inmates have been exterminated in political prison camps principally based on imputed political opinion and state-assigned social class. Entire groups of people, including families with their children, have perished in the prison camps because of who they were, i.e. perceived class enemies, and not for what they had personally done. The definition of genocide under international law does not include
political grounds for eliminating an entire class of people. However, according to COI such crimes might be described as a “politicide”, a new type of genocide (UN COI 2014, 350-351).

**Germany’s Assessment on North Korea’s Human Rights Situation**

The German government concurs with the assessment of the United Nations and human rights organizations. The 11th and last human rights report of the German government, published in 2014, also speaks of widespread and systematic human rights violations, such as arbitrary detentions, extralegal executions and torture. The authors of the report estimate that 200,000 people are held in prison camps. Severe violations of civil and political human rights are inherent to the system (Auswärtiges Amt 2014, 270). In addition, the Committee of Human Rights and Humanitarian Aid of the German parliament condemned the severe human rights violation in the DPRK and supported the call for judicial proceedings at the ICC (Deutscher Bundestag 2014).

Since 1995, Germany has provided about 41 million Euro of humanitarian aid to North Korea, particularly to combat hunger. However, Germany faces the same obstacles as other countries with regard to its human rights policy towards North Korea. The German Human Rights Commissioner has asked for permission to visit North Korea and to talk about the country’s human rights situation several times, but the North Korean government has always refused these requests. Germany and the European Union have had human rights dialogues with North Korea, but these were discontinued by North Korea, because European countries supported critical human rights resolutions in the former UN Human Rights Commission and in its successor, the UN Human Rights Council (Auswärtiges Amt 2014: 271).
WHY THE EUROPEAN MEDIA AND PUBLIC LARGELY IGNORE THE SITUATION

There is no doubt, the crimes against humanity committed by a totalitarian state in North Korea are unparalleled in the contemporary world. However, Germany’s and Europe’s free media and general public seem to show only a quite limited interest in the issue. The lack of public awareness and indignation stands in marked contrast with the general indignation on human rights issues in numerous other foreign places such as Russia, China, Iran, Saudi-Arabia or Guantánamo. With regard to North Korea’s human right problems there is a puzzling lack of European outrage. How can it be explained?

First, North Korea’s professional control of information and images still seem to be working effectively. Foreign observers are constantly denied access to primary sources within the DPRK. Both inside and outside of North Korea first hand reliable information is virtually unavailable. There are practically no spectacular pictures or emotionally moving stories coming out of the DPRK, which could provoke outrage at the shattering human rights situation in the country.

Second, from the European perspective, North Korea is a peripheral, far away and culturally strange place, markedly distinct from Europe’s own familiar real life situation. North Korea’s atrocities, state terror and public surveillance have such an intensity, that news and reports coming from the country seem to be unreal and beyond human comprehension. Thus the incredible dimension of terror and oppression taking place in North Korea facilitate its camouflaged.

Third, Europe’s foreign policy actors did not devote the amount of attention, which the North Korean human right issues ought to have deserved and required. Priority objectives were always the
prevention of nuclear armament and the promotion of détente in the Korean peninsula. What is more, an effective influence of the European foreign and security policy on North Korean policies is practically non-existent. And even if Europe's foreign policy actors had picked critically at the violation of human rights in the DPRK, they might have risked aggravating the already tense security situation in an unpredictable way. Eventually Europe would have drawn heavy criticism not only from North Korea, but also from the other parties in the region. The three points above notwithstanding, Europe's media and public should honestly admit, that they have ignored too long what is happening in North Korea.

**NORTH KOREA'S REACTION TO THE UN INVESTIGATION**

State terror, control of information and discrimination are indispensable instruments of power for the totalitarian ruling system of the DPRK. The idea of human rights and individual freedoms is alien to the nature of a regime, which claims the collective unity of leader, party, state and people and thus demands unitary thinking based on the Juche ideology, i.e. the idea of self-reliance, independence and superiority of the Korean nation. Against the universal claim to human rights, the DPRK takes a stand on the principle of national sovereignty and the assertion of relativity of human rights. According to the DPRK, the Western concept of human rights cannot be valid in the collectivistic, leader-based system of North Korea. Thus, the human rights commitment of the international community is refused as interference in internal affairs and is regarded as an attempt to overthrow the regime rather than protecting North Korean citizens (Kim 2012: 147-179).

Although refusing any cooperation with the UN Commission of
Inquiry on human rights (UN Human Rights Council 2013: 4), the DPRK could not ignore that the UN’s serious and comprehensive investigations might have negative consequences for the regime. Thereupon aiming to tone down the text of the UN resolution, the DPRK started various diplomatic counteroffensives. She prepared an alternative human rights report, which glossed over the evidence prepared by the COI. She offered to renew the human rights dialogue with the EU and started to collaborate with the UN Human Rights Council in a constructive way at the Universal Periodic Review process. The DPRK foreign minister attended the general assembly of the United Nations for the first time in many years and paid a visit to the UN General Secretary afterwards (Hawk 2014).

However, the regime soon had to realize that the topic would remain high at the top of the international agenda for some time to come. When the EU-Japan authored resolution passed the General Assembly by a large majority, the regime turned from a strategy of dialogue to a strategy of confrontation. Thus the DPRK threatened to stage another nuclear test in response. Prominent critics were accused of malign hostile intentions. For example UN Special Rapporteur Marzuki Darusman was called “a puppet acting in the interest of the United States’ hostile policy towards Pyongyang”. Reports of refugees, who had reported human rights abuses, were discredited by counter-versions (Borowiec 2015; TASS Russian News Agency 2015).

**CONCLUSION**

Many state organs and countless state representatives bear the responsibility for the gross human rights violations and the crimes against humanity that occur on a daily basis in North Korea. Foremost the Supreme Leader Kim Jong-un is holding the ultimate pow-
er in North Korea and thus ultimate responsibility for human right violations, too. What is more, policy directives and orders that came directly from him have resulted in gross human rights violations and crimes against humanity. The personal responsibility of the Supreme Leader and other high-ranking officials notwithstanding tens of thousands of agents, police officers, prison guards, and soldiers from numerous branches of the state have committed various human rights abuses. For example the State Security Department is implicated in virtually all of the systematic and widespread gross human rights violations that also constitute crimes against humanity (UN COI 2014, 352-359).

The Commission of Inquiry demands an immediate end of all human rights violations in North Korea (present), wide-ranging reforms of the government, the administration and the justice system in order to prevent future violations (future) and measures to ensure accountability for past wrongs (past). In addition, the COI urges the People’s Republic of China not to repatriate refugees from North Korea and to respect the principle of non-refoulement that obliges countries not to send back refugees that may be persecuted in their countries of origin (UN COI 2014, 367-372). Furthermore, the Commission recommended the establishment of an UN field office in Seoul to continue to monitor and document the human rights situation in North Korea. The office was opened on June 23, 2015 with an initial staff of six persons (Lee 2015).

Broadly speaking, two different approaches towards North Korea’s human rights situation exist. The first approach propagates peace, stability and gradual change by dialogue, cooperation and engagement with North Korea. This approach focuses on improvements of the social and economic living conditions in North Korea, and tries to bring stability in the inter-Korean relations by refraining from calling for regime change in the North and of unification by absorption of the North. Quiet diplomacy on human rights questions is also emphasized. The second approach calls for a more
formful emphasis on civil and political rights in North Korea and sees regime change as indispensable for true progress in North Korea's human rights situation. International pressure seems to be necessary as well (Bae/Moon 2014).

Apparently both approaches have their practical and moral limitations. On the one hand, an externally imposed regime change in the DPRK is in light of the conventional, nuclear and political risks not feasible. On the other hand, to enhance cooperation and dialogue with a regime that terrorizes its own population to such an extent, seems unrealistic and immoral as well. To be sure, if the North Korean leadership would be ready to engage in credible and lasting political change, as implementing the recommendations of the UN Commission of Inquiry, the international community could offer some benefits in exchange, such as development aid, substantial financial and technical support in adopting reforms, immunity for lower ranking officials and mitigation for the core leadership. In such a case, however, North Korea's political elite would have to initiate and conduct rapid and massive political changes to deserve such a generous treatment.

Hence one has to conclude that there is no practical solution to the North Korean human rights tragedy for the time being, especially if the differing political objectives of her neighbors are taken into account. Nevertheless, the international community shall not slacken in its recently increased commitment for human rights in North Korea. Neither the fact that a direct influence on the events in North Korea is impossible nor the obstruction by China and Russia in the UN Security Council should keep the international community from discussing the situation of human rights in the DPRK publicly, permanently and extensively. In this endeavor the EU and Germany are obliged to assume responsibility. The European Council has declared in its Strategic Framework for Human Rights and Democracy from June 25, 2012 to put human rights in the center of her relations with all third countries. This pledge has
been reinforced by the Council Conclusions on the Action Plan on Human Rights and Democracy 2015-2019 from July 20, 2015 and it ought to guideline EU-DPRK relations in particular. At the bilateral level, progress may be achievable in “politically unsuspicious” social and economic human right topics like the right for food and health. Maybe, even the EU-DPRK human right dialogue can be resumed, as has been offered by North Korea in 2014. As a matter of course at the UN level, the further activities of the UN Human Rights Council, of the special Rapporteur and of the newly established field office in Seoul should be actively supported in various ways. Most important, however, Europe’s credibility must be maintained by refraining from being a part of North Korean human rights abuses itself. Poland and Malta should be reminded of their obligations to the European Convention on Human Rights and the ILO conventions against compulsory labor.
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North Korea’s Peripheral Diplomacy in the “Post Kim Jong-Il Era” and Its Relationship with Japan

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Abstract

After the second launch of the “Kwangmyongsong-3” satellite and the third nuclear test, North Korea’s peripheral diplomacy was put in a tight spot. The Sino-DPRK relationship has stepped into a rough patch; the DPRK-US relationship remains in a stalemate condition; and the DPRK-Russia relationship has warmed up but is still unable to rapidly change the internal and external difficulties facing North Korea. Under these circumstances, North Korea has to make a concession on the “Abduction Issue”, which successfully prompted Japan to lift its unilateral sanctions. North Korea’s concession on the “Abduction Issue” this time was an attempt to break through its peripheral diplomatic dilemma. However, the brief easing of the DPRK-Japan relationship due to the progress from the “Abduction Issue” does not mean that the relationship between these two countries will have a substantive change. Subject to the Japan-US alliance, the US-Japan-ROK trilateral coordination mechanism and Japan’s position on North Korea’s nuclear and missile issues, Japan’s policy towards DPRK is difficult to be substantively changed and adjusted.

Key words: Post Kim Jong-il Era; North Korea’s Peripheral Diplomacy; DPRK-Japan Relationship
INTRODUCTION

After the second launch of the Optical Star 3 satellite and the third nuclear test, the situation of North Korea’s peripheral diplomacy further deteriorated. To alleviate the enormous pressures brought about by worsening the external environment, North Korea had to make a concession on the “Abduction Issue”, even though it repeatedly stressed that it had resolved and resolutely opposed the entanglement of the “Abduction Issue”, seeking to ease the DPRK-Japan relationship, and then propelling the alleviation of the peripheral diplomatic dilemma. Eventually, North Korea restarted the full investigation into the “Abduction Issue” by establishing a high-level “Special Investigation Commission”, while Japan lifted part of the unilateral sanctions against North Korea therefore, their relationship has entered a period of brief easing. But actually, the loose relationship between DPRK and Japan does not play a critical role in influencing North Korea’s peripheral diplomacy as expected, as its influence on North Korea’s periphery diplomacy is extremely limited.

Starting with North Korea’s peripheral diplomacy in the “Post Kim Jong-il Era”, this essay will tease out the changing process of North Korea’s relationship with China, U.S. and Russia, clarify the basic thread of interactions on the “Abduction Issue” between DPRK and Japan, and explore the internal reasons for the limited progress made by DPRK and Japan on it and why the relationship between DPRK and Japan could achieve a period of brief ease.

NORTH KOREA’S PERIPHERAL DIPLOMATIC DILEMMA IN THE “POST KIM JONG-IL ERA”

After Kim Jong-un took the reins of supreme leadership of North
Korea, China, the United States, Russia and other peripheral powers were full of expectations, hoping that Kim could bring a brand new look for North Korea’s domestic and foreign affairs. However, with two launches of the Optical Star 3 satellite and the third nuclear test, Kim Jong-un clearly demonstrated his continuance of the “Military First Policy” and his persistence on possessing nuclear weapons. The peripheral powers are utterly dissatisfied with North Korea’s new leader and eventually unanimously approve of the UN Security Council Resolution 2094 to impose the most severe sanctions against North Korea. North Korea’s peripheral diplomacy in the “Post Kim Jong-il Era” has thus created a predicament.

The Sino-DPRK relationship stepping into a rough patch

The nuclear tests in October 2006 and May 2009 landed a blow to the Sino-DPRK relationship. But China and North Korea still maintained relatively good traditionally friendly relations before the death of Kim Jong-il. China’s then premier Wen Jiabao paid an official visit to North Korea in October 2009. Kim Jong-il also visited China four times respectively in May 2010, August 2010, May 2011 and August 2011 respectively. At that time the bilateral relationship, which had been impacted was able to consolidate. After the official announcement of Kim Jong-il’s death, China sent a message of condolence to North Korea at the fastest pace, and initially expressed China’s support for North Korea’s new leader. Then party and state leader Hu Jintao and other leaders went to the DPRK’s embassy in China to offer condolences. In addition, China provided 0.5 million tons of food and 0.25 million tons of fuel as emergency assistance to North Korea to help it tide over the difficulties.1

1 “Japanese media: China Provides 0.5 Million Tons of Food and 0.25 Million Tons of Fuel As Emergency Assistance to North Korea”, www.ifeng.com, Jan. 30 2012, http://news.ifeng.com/world/special/jinzhengri/content-4/detail_2012_01/30/12185624_0.shtml
In the initial period after North Korea’s new leader took office, the Sino-DPRK relationship once presented the development of a positive trend, which could be found in the frequent senior government officials’ visits between the two countries. In January 2012, China’s then vice foreign minister Fu Ying and North Korea’s then first vice foreign minister Kim Kye-gwan exchanged visits; in April, a delegation of Korean Workers Party paid a visit to China; in the following August, after Wang Jiarui, Minister of the International Department, Central Committee of CPC, visited North Korea and met with Kim Jong-un officially, North Korea’s then Vice Chairman of the Nation Defense Commission Jang Song-thaek visited China, received by then Chinese President Hu Jintao and Premier Wen Jiabao; in November, a CPC delegation paid a visit to North Korea, passing a personal letter by newly-elected General Secretary of CPC Xi Jin-ping to Kim Jong-un. In the meantime, the two countries carried out economic and trade cooperation in a wider range: both sides formally signed a cooperative development agreement on the Hwanggumpyong and Wihwa Island in October 2012 and started the development of Hwanggumpyong on September 15th. Furthermore, both sides pushed on a series of economic cooperation programs with large scale in Rason, Chongjin and so on. After acquisition of the use right of Pier 1 in Rojin Port, China obtained construction right and 50 years of use right of Pier 4 to 6 in Rojin Port, 30 years of use right of Connecting Pier 3&4 in Chongjin Port respectively at the end of 2011 and in September 2012 respectively, and would invest $ 3 billion in Rosan for constructing the airport and the railway from Tumen to Rosan, etc.2


3 “China Obtains 50 Years of Use Right of Pier 4 to 6 in Rason Zone”, Feb. 15, 2012, http://chinese.yonhapnews.co.kr/allheadlines/2012/02/15/0200000000A CK20120215001900881.HTML.
However, being once again impacted by North Korea’s satellite launching as well as the third nuclear test, the above-mentioned positive developments of the Sino-DPRK relationship were interrupted. On February 12th, 2012, regardless of the opposition by the international community, North Korea re-launched the Optical Star 3 satellite. After expressing regret, China and other member states unanimously approved of the UN Security Council Resolution 2087, which addressed the transgression. For a change, China displayed an overtly tough attitude. For this, North Korea grumbled about what China had done, whose National Defense Council made a statement on January 24th, 2013, insinuating that China was “sightless”, and that they should “unhesitatingly abandon the fundamental principles”, and be “obdurate”, and that they were acting as “a marionette”. On February 12th, 2013, North Korea conducted the third nuclear test. China not only expressed solemn disappointment but also actively participated in and agreed upon the UN Security Council Resolution 2094 regarding the test. Even during the discussion, China claimed to “support the UN Security Council to make necessary responses to North Korea’s nuclear test”. After the unanimous approval of the resolution on “whether to impose sanction on North Korea through means such as stopping oil export or trade”, China further explicitly claimed to “address the concerned problems according to international laws”. Thereafter, for the first


time, China publicly, definitely and strictly implemented the resolutions against North Korea concerning nuclear weapons, satellite launching and so on. China’s Ministry of Transport, Ministry of Commerce, Industry and Information Technology, General Administration of Customs as well as the relevant departments adopted severe export restrictions, while the main state-owned banks stopped the business with North Korea,\(^8\) and in the first half of 2014 the crude oil export from China to North Korea suspended accordingly.\(^9\) With China’s tough attitude on North Korea’s nuclear issue, the Sino-DPRK relationship descended to indifference suddenly.

To ease the tensions between the two countries and promote the communication for both sides on North Korea’s nuclear issue, a special envoy for the North Korean leader, Choe Ryong-hae, the first vice foreign minister Kim Kye-gwan and the head of the Six-Party Talks for North Korea, Ri Yong-ho, and others, in late May 2013 and mid-September, respectively, visited China; the Chinese vice president Li Yuanchao, special representative of China in charge of the Korean Peninsula affairs and head of China for the Six-Party Talks, Wu Dawei, and others, visited North Korea in late July and mid-August respectively. Nevertheless this series of reciprocal visits of senior government officials failed to bridge the radical disparities between both sides on North Korea’s nuclear issue and the Sino-DPRK political ties were not rekindled. At the beginning of July 2014, President Xi Jinping paid an official visit to South Korea, which not only made him the first Chinese state leader who firstly visited Korea without visiting North Korea after taking office, but also broke China’s consistent traditional polices on the Korean Peninsula. Therefore the divergence between China and North Korea

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was brought into public view. Also affected by the frosty political relationship, the government–oriented trade cooperation nearly stagnated.

The DPRK-US Relationship in Continual Stalemate

Since Obama’s assuming office as President in 2009, the US government has been pursuing a “strategic patience” policy towards North Korea: if North Korea doesn’t make substantive concessions on the nuclear issue, the US will never hold bilateral talks as well as restart the six-party talks. The attitude of US towards North Korean nuclear and “six-party talks” issues is to wait and see before it shifts its grounds; in contrast, the US vigorously coordinates positions with Japan and Korea to build up the triangular alliance of US, Japan and Korea on one hand, and on the other hand, the US energetically pushes the international community to impose economic sanctions against and magnify the diplomatic isolation of North Korea to achieve the goal of compelling it to change its behaviors.10 Thus, both in the later period of the Kim Jong-il Era and after the succession of Kim Jong-un, North Korea has encountered difficulty in carrying out effective conversations and communications with the US and the US-DPRK relationship has always remained in stalemate.

After Kim Jong-un’s succession as the top leader, to realize the direct dialogue and communication with the US, North Korea also repeatedly sent signals of goodwill and actively sought to contact while maintaining hawkish and antagonistic stance on important issues like satellite launching, nuclear tests, US-Korean military exercises and so on. In mid-January 2012, the Associated Press’s Pyongyang Bureau was established as the first western news agency

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set-up in the region. Yang Hyung-sop, then Vice President of the Presidium of the DPRK Supreme People’s Assembly received a delegation from the Associated Press. In late February, North Korea and the US held the third summit dialogue in Beijing and achieved an active success: North Korea traded the assent of suspending the uranium enrichment program, nuclear test and long-range missile test for the resumption of food aid by the US. But this success proved meaningless with the first launching of the Optical Star 3 satellite in mid-April 2012. After that, the US ceased the food aid to North Korea and at the same time led the UN Security Council to enlarge the range of the sanction. In late June 2012, Obama declared the prolongation of the sanction on North Korea since June 2008 and soon the US Senate passed the Amendment of the “Farm Bill” to forbid the US government from aiding North Korea through the oversea aid projects for agricultural product.

Facing the kickback of the international community to the second launching of the Optical Star 3 satellite and the third nuclear test, North Korea took a very hard line: on March 5th, 2013, North Korea announced the abolition of the “Korean Armistice Agreement”; in the next two days “Rodong Sinmun” successively published articles and editorials, threatening to “use precise nuclear attacks to Seoul and Washington into fire”, stressing “autonomy is more expensive than life”.

But North Korea didn’t give up seeking dialogue with the US while continuing to hold its hard attitude. To reach this goal, Kim Jong-un actively carried out the “basketball diplomacy”. At the end of February 2013, the former US NBA star Rodman was invited to North Korea and brought back the message that Kim Jong-un

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hoped to talk with Obama by phone.\textsuperscript{13} Later, in early October 2013, late December and early January, Rodman again visited North Korea three times. While in the same period, North Korea not only displayed a degree of restraint on whether to fire the Musudan medium-range missile in mid-April, but also showed the willingness to solve the related problems through conversations and take the positive actions when Choe Ryong-hae, a special envoy for the North Korean leader, visited China in May 2012. North Korea even suggested making “dialogues and contacts without preconditions” between the governments of North Korea and the US.

In addition to the above efforts, North Korea also proactively conducted “hostage diplomacy”. As the sixth American citizen detained by North Korea, Korean American Pae Jun-ho was sentenced to 15 years of penal punishment by North Korea’s Supreme Court in the name of “subversion of state conspiracy”.\textsuperscript{14} When looking upon its precedents, North Korea’s “hostage diplomacy” showed its implicit purposes: North Korea first detained American citizens and took the chance to declare that the US had to send “senior people” (former presidents or current senior officials) as special envoys to North Korea to successfully rescue the “detained hostages”. It is by this extremely special diplomatic means that North Korea attempted to realize the direct dialogue and contact. In the purpose of saving Pae Jun-ho, the US was compelled to send “senior people” once again to visit North Korea. Finally, the US government decided to send Robert King, the special state representative in charge of North Korea’s human rights affairs to assume the office of the special envoy. In order to force the US to send people of higher ranks, North Korea refused twice the visit of US special envoy Robert King


at the end of August 2013 and in February 2014, respectively and again detained two Americans, Millar Matthew and Jeffrey Foer, in the name of “hostile behaviors against North Korea”.\(^\text{15}\) The US here-to needed to rescue three American citizens from North Korea and it was quite clear that North Korea pressured the US to restore the dialogue and contact. And reports said that in April, August 2012 and August 2013, many US government senior officials secretly visited North Korea more than once.\(^\text{16}\) It came as a surprise that North Korea suddenly set free Jeffrey Foer on October 21, 2014 and later the US CIA chief Clapper visited North Korea as a “private envoy” of Obama on November 8th and took Pae Jun-ho and Millar back to the US.

The reason why North Korea released three American hostages without any quid pro quo was to worry that the UN Security Council at last would take the North Korean leader to the International Criminal Court with the issue of human rights. After the succession of the North Korean top leader, Kim Jong-un continuously carried out political purges and even the VIP Jang Song-thaek was politically ousted from his powerful position, which drew the great attention of the international society. On February 17th, 2014, the International Commission of Inquiry on North Korea’s Human Rights Situation of the UN Human Rights Council issued an investigation report on North Korean human rights. The report disclosed in detail the persistently and massively organized human rights abuses in North Korea in the last tens of years, suggesting the UN International Criminal Court make international judicial initiative on it and look into the North Korean leaders’ international criminal responsibilities. Kim Jong-un would face the international judicial


\(^{16}\) “Can Secret Contacts Bring A Favorable Turn to the US-DPRK Relationship”, China Youth Daily, Sep. 9, 2014, the fourth edition.
punishment if only the UN International Criminal Court began to pressure the international judicial accountability, which was absolutely unacceptable for North Korea, threatening the hegemony of the regime whose political philosophy is characterized by the “Leader is highest”. So, North Korea strongly condemned the US and its followers while unexpectedly releasing three American hostages. Even so, the UN Third Commission responsible for human rights still passed the resolution on North Korean human rights on November 18th, 2014, making it clear that North Korea’s human rights situation would be presented to the International Criminal Court and suggesting the UN Security Council impose sanctions on North Korean leaders.\(^\text{17}\) North Korea saw the approval of the resolution as “the most hostile policies towards North Korea”, asserting to reinforce “war deterrence” to cope with the American hostile policies.\(^\text{18}\)

In late November 2014, the opposition and condemnation caused by the UN resolution on North Korean human rights had yet to calm down and the Sony Pictures in the US was attacked by hackers. Since the cause of the accident was associated with a film themed on “assassinating the North Korean top leader Kim Jong-un”, which the company was planning to release, North Korea was accused of the hacking. In view of the accident, President Obama signed an order to add sanctions on North Korea in early January.\(^\text{19}\) It inevitably aggravated the tension between North Korea and the US, and the informal conversation on January 20th, 2015 ended fruitlessly and the deadlock was still difficult to break.


Re-warming of the DPRK-Russia Relationship

Similar to the Sino-DPRK relationship, the DPRK-Russia relationship also presented an active and friendly trend at the beginning of Kim Jong-un’s succession. On the day of the disclosure of Kim Jong-il’s death, Russia’s then president Medvedve also sent a telegram of condolence to express deep regret.20 To express his appreciation, Kim Jong-un replied to him, displaying willingness toward further development between the two countries.21 In the mean time, in the article “Russia and the Continuously Changing World” published in the late February 2012, while emphasizing to insist on the stance of denuclearization of the Korean Peninsula, then the Russian premier Putin expressed his support to North Korea’s new leader, asserting that “the attempt by some people trying to threaten the new North Korean leader and the countermeasures put forward by them can’t be tolerated”.22 After Putin was reelected to be president, Kim Jong-un sent a letter of congratulations and hoped that the traditional friendly cooperation could be consolidated and reinforced.23 At Putin’s 60th birthday, Kim Jong-un specially sent a congratulatory telegram and again expressed “the belief that the friendly relationship between DPRK and Russia with a long history will be strengthened and developed”. Although the meeting and reciprocal visits were not realized, the series of active interactions still pushed the development of the DPRK-Russia relationship.
But Resolution 2094 unanimously approved of by the UN Security Council brought negative influences to the DPRK-Russia relationship. In the joint statement issued after the summit of Russia and South Korea, Russia clearly stated that it had no chance to tolerate the nuclear and missile developing route that North Korea insisted on and did not admit the position that North Korea owned nuclear weapons, stressing that North Korea should comply with the relevant resolutions of the UN Security Council and the related commitments of denuclearization. In early December 2013, Putin signed an executive order to carry out the UN Security Council Resolution 2094 and following that, Russia began to impose sanctions on North Korea.

Since 2014, Russia was isolated and punished by western countries due to the Ukraine Crisis, which just became a turning point for the re-warming of the DPRK-Russia relationship. In early May 2014, Putin signed an agreement to cancel the debt of $10 billion, which covered 90% of the debt that North Korea owed the former USSR. It was not until August 2011, when Kim Jong-il formally visited Russia that the negotiation on the reduction and exemption of the North Korean debt made a breakthrough, the process of which had lasted for nearly 20 years. Finally an adjustment agreement on debt was signed in September 2012. In late August 2014, North Korea changed its Russian ambassador to the former vice foreign minister Kim Hyung-jun, who was once in charge of the Sino-DPRK relationship, which embodied North Korea’s emphasis on the relationship. Later, in late September and early October, Russian vice foreign minister met North Korea’s new ambassador to Russia and the new foreign minister Lee Su-yong spoke with the Russian

foreign minister during the visit. Just at that instance there even came the news that the summit of both sides would be held which demonstrated to some extent the re-warming of the DPRK-Russia relationship. But unfortunately, due to domestic affairs, Kim Jong-un failed to attend the celebrations for Russia’s 70th anniversary of the victory of the Great Patriotic War held on May 9, 2015.26

Furthermore, the gradual development of the bilateral economic and trade cooperation was also a major achievement of the DPRK-Russia relationship in the “Post Kim Jong-il Era”. On September 22nd, 2013, the railway from Rajin of North Korea to Hasson of Russia restarted operations. The reconstruction project was one of the key works to realize the rail-transportation connecting the Trans-Siberian Railway with the railway running through the Korean Peninsula. On July 18, 2014, Pier 3 of the Rajin Port of North Korea was completed with Russian enterprises participating the construction. After the productive results of the “DPRK-Russia Moscow Declaration” signed by the late North Korean leader Kim Jong-il and Putin, the two cooperative projects were endowed by North Korea with the significance of a friendly bridge connecting Europe and Northeast Asia as well as a promotion of the international status of the Rajin Economic and Trade Zone, whose final success laid a solid foundation for the deepening of the DPRK-Russia economic and trade relationship.

DPRK-JAPAN CONTACTS AND COMMUNICATIONS AROUND THE “ABDUCTION ISSUE”

The sustained chilling of the DPRK-Japanese relationship ex-

experienced a brief warming after the limited progress regarding the “Abduction Issue” while the relationship of North Korea with the peripheral great powers such as China and US entered into boiling hot water.

Soon after Kim Jong-il died, the Noda Cabinet actively began attempts to contact North Korea actively. In January and March of 2012, North Korea and Japan had successive secret meetings to discuss “abduction issue” in northeast China and Ulan Bator, Mongolia.27 In the meantime, North Korea released two Japanese suspects arrested for the suspicion of drug trafficking and counterfeiting to express a good faith in the improvement of relations with Japan. Then, North Korea took the initiative to have a talk concerning the Japanese osseous remains from the war in North Korea. In April 2012, during Kim Il-sung’s centenary birthday commemorative activities, the ambassador for negotiating the normalization of the DPRK-Japanese diplomatic relationship, Song Il-ho said to the visitors from Japan that there could be cooperation on the collection and return of the wartime Japanese osseous remains in North Korea.28 In June 2012, North Korea showed the relevant cemeteries to the Japanese media. In early August, after ten years, the Red Crosses from North Korea and Japan restarted their communications concerning the returning Japanese osseous remains and visited the graves in North Korea. In early September, a Japanese non-governmental organization—the National Chongjin Society, went to Hamhung in North Korea to worship the dug Japanese osseous remains. The North Korea’s active efforts finally solicited a response from Japan. As a result, a ministerial meeting was held between North Korea and Japan in Ulaanbaatar, Mongolia in mid-November 2012. Al-

though the second launching of the Optical Star 3 satellite delayed the second ministerial meeting between North Korea and Japan, the contacts and communications were not stopped by North Korea’s satellite launching and nuclear test as well as the substitution of the Japanese ruling party.

After retaking the seat of prime minister, Shinzo Abe actively promoted the contact and communication with North Korea on the “abduction issue.” In mid May and October 2013, Isao Lijima, Special Adviser of Crisis Management of the Abe Cabinet had secret meetings and straight-out communications with North Korea’s senior officials in Pyongyang, North Korea and Dalian, China.29 Amidst the growing conflicts among Japan, China and South Korea, the contacts between Japan and North Korea have become more frequent. In December 2013 and January 2014, Ihara Junichi, director of the Asia and Oceania Bureau of Japan’s Foreign Ministry secretly met with senior officials of North Korea’s National Security Ministry in Shenyang, China and Hanoi, Vietnam. In late February, Japan and North Korea met in Hong Kong, China to discuss the issues regarding the Red Cross meeting, allowing Yokota Megumi’s mother to have a chance to see the abduction victim and restarting the ministerial meeting.30 In early March, North Korea and Japan held a Red Cross meeting in Shenyang, China; In mid March, Yokota Megumi’s mother had a meeting with her granddaughter Kim Hye-kyong who possesses North Korean nationality in Ulaanbaatar, Mongolia. These developments show how North Korea had changed its attitude on the “abduction issue”. On 19th of March, Japan and North Korea had a meeting on the Red Cross issue in Shenyang, China. In late March, a foreign ministerial meeting was held in

Beijing between North Korea and Japan to discuss “the abduction issue” and an agreement was reached.

With active contact and communication, finally North Korea and Japan made progress on “the abduction issue”. In late May 2014, North Korea and Japan had a new round of meeting between governments in Stockholm and reached a concrete result: both sides agreed to reinvestigate the abduction case, and Japan would partially lift its sanctions on North Korea when the investigation began. On July 1st, 2014, North Korea and Japan had a foreign ministerial governmental meeting in Beijing, at which time North Korea reported to Japan about the preparation of the investigation committee for the abduction case, including the details of the committee, such as the authority, organization and officers responsible. Then on July 3rd, in return for the above mentioned, the Japanese Prime Minister, Abe Shinzo declared to partly lift the unilateral sanctions on North Korea. On the following day, North Korea officially started a special investigation committee to reinvestigate the case of abduction and also promised to report the investigation to Japan in a timely manner.

The progress on the “abduction issue” temporarily eased the relationship between the two countries, and then in August 2014, the foreign ministers of North Korea and Japan restarted their talk after ten years. In June 2014, the Japanese foreign minister made it clear that Prime Minister Abe would like to visit North Korea to solve the “abduction issue”. However, after Japan had partly lifted the sanction on North Korea, they did not publish the results of their investigation on “the abduction issue” in accordance to their agreement. On August 6th, 2015, the Japanese foreign minister urged North Korea to keep the promise and announce their investigation report.

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in their second meeting. So far the limited development of “the abduction issue” has not actually relaxed the relationship between North Korea and Japan.

THE IMPACT OF NORTH KOREA’S PERIPHERAL DIPLOMACY ON THE DPRK-JAPANESE RELATIONSHIP

The further freezing Sino-DPRK relationship has a very specific significance among the factors influencing the diplomatic dilemma of North Korea in the post Kim Jong-il era. Since the end of the Cold War, China started gradual readjustment of its diplomatic policies towards North Korea, whose orientation has changed from an “alliance relationship” based on ideology to normal interstate relationship based on national interests. Meanwhile China expected North Korea to readjust its cognition of international relations and regional situation. So China actively impelled North Korea to accept a market economy in order to better its national economic development and recovery in the round and finally to integrate into international society with a more open posture. However, North Korea did not meet China’s expectations and efforts; it always persisted in and strengthened its “Military-First Politics” and fully promoted its nuclear weapon and missile development plans. In spite of this, China still maintained its traditional friendly relations with North Korea and kept up on its political supports and economic aids within its power to North Korea before its third nuclear test happened. However, China could not tolerate North Korea’s wanton behavior after its third nuclear test, as then the nuclear issue of North Korea

had become a key factor that deeply impacted the core national interests of the two counties. Thus China turned to the partial sanction resolutions against North Korea made by the UN Security Council. The political Sino-DPRK political relationship unavoidable cooled into a frozen state.

After succession, the new North Korean leader clearly expressed that “the national economy is requested to be recovered to the level of the 60s and 70s of the last century in three years and reach the living standards that North Koreans have the rice to eat, the soup to drink, the house to live in and silk clothes to wear.” Since the third nuclear test, the North Korean leader carried out the policy of “combining economic development with nuclear force construction”, and both are equally important. In this case the business relations with China and China’s economic aids became more and more important to North Korea’s national economy. However, the cooling political relations between China and North Korea created a harmful effect to the business relations and cooperation between them. In August 2010, in the meeting with the then North Korean leader Kim Jong-II, Hu Jintao, the then president of China, put forward the following principles for business cooperation: “government leading, enterprise orienting, market operation, mutual benefit”. However, since North Korea’s third nuclear test, the principle of “government leading” failed to maintain due to the cooling political relations and then, the Hwanggumphyong cooperative development and Rajin port construction projects became bogged down. Moreover, with China’s accession to the sanctions by the international community against North Korea, the foreign aids and financing channels it could rely on no longer existed. It was conceivable that the down-

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turn of the trade exchange and business cooperation with China brought serious difficulties to North Korea’s economy that had relied on China for a long time.

Under the ongoing sanctions led by the US, it is more difficult for North Korea to obtain economic and material assistance from the West and the UN as well as from mainstream international organizations. To allay the relations with the US is the key for North Korea to improve its external security environment and gain assistance from the international community. In order to seek contact and dialogue with the US, North Korea not only expressed its willingness and goodwill, but also used “basketball diplomacy”, “hostage diplomacy” as well as other means to create opportunities for frequently meetings between American “senior commons” to show that the relationship between the US and North Korea has relaxed. But Obama administration’s attitude has always been tough on the issue of nuclear development in North Korea, and never makes even the slightest concession. With the reaching of the comprehensive agreement on the Iranian nuclear issue and the forthcoming expiration of Obama’s tenure, the US will put forth more diplomatic pressure on North Korea in the future. It will be impossible to cultivate any short-term changes in the relationship between the US and North Korea as long as North Korea maintains its stance on the nuclear issues.

The re-warming of the relationship with Russia is a big diplomatic achievement for North Korea after its third nuclear test. The cooperative projects between Russia and North Korea, such as the recently completed railway from Rajin to Hassan and the Pier 3 of Rajin Port in North Korea could serve to promote and deepen the economic and business relations between the two countries in the long run, as well as reduce the over dependence of North Korea’s economy on China. However the positive effects will not emerge in a short period of time. Furthermore, the key point that the economic value of the railway from Rajin to Hassan could be maxi-
mized through further construction and operation of the Siberian railway into the South and North of the Korean Peninsula. To reach this target, a smooth relationship between North and South Korea is required in this peninsula, but again it is difficult to reach this goal in a short period of time. The short-term economic benefit for North Korea would be limited. With the existing conditions, Russia is not able to provide a large number of economic and material aids to North Korea. For the highly utilitarian Russia, it was the biggest concession and aid to North Korea for exempting its 90% debt from the former Soviet Union. From the perspective of politics, the new leader of North Korea would not completely ignore the attitude and feeling of China. It is quite similar to the trilateral relations among China, North Korea and the Soviet Union during the Cold War period when North Korea tried to deal between China and Russia in order to achieve its success. Being close to Russia, North Korea would like to put pressures on China to advance the détente of its relationship with China.

Therefore, North Korea has to turn to other countries to seek assistance or other effective solutions, excluding China, the US and Russia in order to break its diplomatic difficulties since its third nuclear test.

Then, North Korea has to turn its attention to Japan, persuading it to lift its unilateral sanctions, so as to ease its huge economic pressures at home by recovering the economic contact with the North Koreans living in Japan. Meanwhile, with the internal and external dilemma due to the visiting of the Yasukuni Shrine, lifting the right of collective self-defense and passing the “New Security Bill” has made the Abe Cabinet urgently improve the relationship between Japan and North Korea to keep up with communications at all times. Among the three big issues in the relationship between Japan and North Korea, the historical issue, the nuclear and missile issue, and the abduction issue, the first two are unchangeable principles for North Korea. Therefore, they could only find the common
ground on the “abduction issue”. North Korea had to make a concession on the “abduction issue”, and it repeatedly emphasizes that the issue has been solved and its firmly opposed to talk about it again, so as to promote the relationship between North Korea and Japan.

CONCLUSION

In summary, the brief ease in the relationship between North Korea and Japan due to the “abduction issue” in the past year does not mean that their relationship has significantly changed. For North Korea, the change of its attitude on the “abduction issue” is to get rid of the peripheral diplomatic dilemma, and its fundamental purpose is to persuade Japan to lift its unilateral sanctions on North Korea; and for Japan, Abe’s adjustment of his policy towards North Korea during his second term as prime minister aims to ease the internal and external dilemma caused by his visiting of the Yasukuni Shrine, lifting the right of collective self-defense, and earn more political capitals. Despite the news that Abe would visit North Korea in August 2015 and that the two countries have secretly been in contact, it is difficult for Japan to change its policy towards North Korea substantially because it is subject to the Japan-US alliance, the trilateral coordination mechanism of the US, Japan and South Korea and Japan’s stance on the issue of North Korea’s nuclear and missiles development. Even though Prime Minister Abe has successfully visited North Korea, the possibility to achieve a breakthrough in the relationship between the two countries would still be limited. When the relationship between China and North Korea begin to warm from its recent freezing situation, the economic and trade

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exchanges of the two countries should quickly recover and rise again, and North Korea’s domestic economic trouble would incur effective relief. Then North Korea would slow down its steps to ease its relationship with Japan. Furthermore, North Korea might turn to a tough attitude towards Japan and stop its concessions on the “abduction issue”, then raise its historical and compensation issues to Japan. When the relationship between China and Japan loosens its tension, the Japanese government might once again play up the so-called “security threat” from North Korea, so as to promote the continuous achievement of its strategic target.

In addition, North Korea’s peripheral diplomatic difficulties have not been changed in spite of the eased relationship between North Korea and Japan. North Korea’s concessions on the “abduction issue”, the re-warming of the DPRK-Russia relationship as well as North Korea’s “sports diplomacy” and “hostage diplomacy” are its attempts to relieve the surrounding diplomatic dilemma. Although these attempts have made progress more or less, they play limited roles in changing North Korea’s peripheral diplomatic dilemma and domestic economic difficulties. This situation has made North Korea face China’s significance in breaking through its peripheral diplomatic dilemma and easing its economic pressures. As a result it has made North Korea rekindle its friendship to China.36 With the reaching of a comprehensive agreement on the Iranian nuclear issue, and the recovery of the relationship between the US and Cuba, North Korea’s nuclear issue as well as the DPRK-US relationship and the DPRK-Japan relationship have been widely noticed by the international community once again. It still remains to be seen how the third generation leader of North Korea, after his three-year mourning period, will display his diplomatic skills to the world.

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