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CONTRIBUTORS

Seong-Ryoul Cho is Director of the Center for International Relations Studies at the Research Institute for International Affairs (RIIA) in Seoul. He has contributed a number of articles on contemporary military and international issues in Northeast Asia including *U.S. Forces in Korea: Retrospect and Prospect (2003)*. He can be reached at joseon@riia.re.kr

Yearn Hong Choi is a professor and chairman of the environmental policy program at the University of Seoul Graduate School of Urban Sciences, and a member of the Presidential Commission on Sustainable Development. He is the author of *Introduction to Public Administration: Essays and Research Notes* (Norfolk: Donning) and *Readings in Public and Environmental Affairs* (Lexington: Ginn Press), *Readings in Public Affairs and Administration* (Seoul: Daeyoung) and two books on environmental politics and administration in Korean. He can be reached at yhc@uos.ac.kr and/or at yearnhc@hanmail.net

Walter C. Clemens, Jr. is Professor of Political Science at Boston University, and also an Associate at the Harvard University Davis Center for Russian and Eurasian Studies. He is the author or editor of fifteen books including *Dynamics of International Relations: Conflict and Mutual Gain in An Era of Global Interdependence* 2d ed. (Rowman & Littlefield, 2004). He can be reached at wclemens@bu.edu

Jin Hwoan Hwang is Professor of International Relations at the Korea Military Academy. He is now a visiting scholar at the University of Southern California. He is the author of numerous books, including: *Securities and Arms Control on the Korean Peninsula, second edition* (2003) (in Korean), *Theory and Practice of National Security* (2001) (in Korean). He can be reached at jinhwang@kma.ac.kr

Dong-Kuen Jeong is an associate professor of economics at North Carolina A & T State University. He is currently an elected member of the Board of Directors of the International Council for Korea Studies in Washington, D.C. His recent publications include "Comparative Study on Economic and Social Mobility of Korean, Chinese, and Japanese Immigrants in the United States," (2003) and "East Asian Perspectives in Changing Global Economy," coauthored with Y.S. Kim(2002). He can be reached at Jeongd@ncat.edu.

Youn-Suk Kim is Professor of Economics at Kean University. He serves as Editor of the *International Journal of Korean Studies* and Executive Editor of *Journal of Asian Economics*, and has previously served as chairman of the International Council on Korean Studies, and president of both the Korean-American Economic Association and Korean-American University Professors Association. His publications comprise six books, including *Japanese Economy* (2002) and *Economics of the Triad: Conflicts and Cooperation among the United States, Japan and Korea* (1997), and numerous articles, including "The Japanese Recession and Korea" (2002) and "Asia's Contagious Financial Crisis and Its Impact on Korea" (1999). He can be reached at younkim@aol.com.

Hanns W. Maull holds the Chair for Foreign Policy and International Relations at the University of Trier in Germany. Among his recent publications are *Nuclear Weapons in North Korea, Regional Stability and Crisis Management through the Geneva Framework Agreement,* Bonn 2000 (in German, co-authored with Sebastian Harnisch); *Germany-Still A Civilian Power? The Foreign Policy of the Berlin Republic,* Manchester 2001 (co-edited with Sebastian Harnisch). He can be reached at maull@uni-trier.de.

Hun Joo Park is Associate Professor of International Relations and Political Economy at KDI School of Public Policy and Management. His most recent publications include *Recasting Russia in Northeast Asia,* (Moscow: MAX Press, 2004), "Between Developement and the State: Recasting Korean *Dirigisme,*" *Asian Journal of Political Seience,* 12:1, (June 2004), "Ideas, Interests, and Constructing a Northeast Asian Community," *Journal of East Asian Affairs,* 18:1, (Spring/Summer 2004). He is currently completing a book manuscript entitled *Entangled Embeddedness: The Political Sources of Financial Policy towards Small Business.* He can be reached at dhjpark@yahoo.co.kr

Yeun-Sook Park is Doctoral Candidate at KDI School of Public Policy and Management. She can be reached at earth_ys@hotmail.com.

Werner Pascha is Professor for East Asian Economic Studies at the Department of Business Studies and the Institute of East Asian Studies at Duisburg-Essen University in Germany. His latest publications include edited books on *Systemic Change in the Japanese and German Economies. Convergence and differentiation as a dual challenge* (2004) and *Wirkung und Wandel von Institutionen. Das Beispiel Ostasien* (The impact and change of institutions: The case of East Asia; with C. Storz, 2005). He can be reached at pascha@uni-duisburg.de.

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Submissions should be manuscripts that have not been published previously, and are not under consideration for publication elsewhere. Simultaneous submission to other journals for consideration must be indicated. Manuscripts will not be returned to the authors. Send your manuscripts or inquiries to the address listed at the bottom of this page. Once a manuscript is formally accepted, authors may be asked to make additional revisions and will be required to assign the copyright for their article to The Research Institute for International Affairs. The copyright assignment is a condition of publication.

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The Research Institute for International Affairs
Instopia Bldg. 16th Floor
467-23, Dogok-dong, Gangnam-gu
Seoul, 135-856 Korea
Tel : (02) 572-7090, extension. 211 Fax : (02) 572-3303
E-Mail : joeaa@riia.re.kr

The Dynamics of U.S. Defense Transformation and Its Policy Implications for the ROK's Security

JIN HWOAN HWANG
Korea Military Academy

ABSTRACT

The events of 9/11 provided the critical momentum for the U.S. to believe that the source and type of threats it faces have fundamentally changed, calling for radically different policy responses. Accordingly, to counter these newly emerging asymmetric threats, the Bush administration has pursued sweeping changes in its national security strategy and defense policy. Under the guidance of the new defense paradigm, the U.S. military has been transforming its forces from an industrial-age force to an information-age force. Changes in the defense strategy require a reorganization of U.S. forces, including U.S. forces staying in foreign countries. USFK troops are no exception. This paper examines the background of defense transformation, and specifically explores the impact of global U.S. defense transformation strategy and its implications for the USFK realignment issue from an operational-military perspective. Based upon this analysis, some policy options for the South Korean government are suggested.

Key Words: Revolution in Military Affairs, Defense Transformation, Realignment, Global Defense Posture Review

INTRODUCTION

It's probably true to say that for most Koreans the issues of a reduction and redeployment of the U.S. forces in Korea (USFK) give rise to serious concerns. Regarding these current issues, there have been two quite different arguments. Some have worried that the troop reduction along with the relocation of U.S. ground forces to the south of the Han River is evidence of a weakening of U.S. security commitment toward South Korea. Others have argued that such a U.S. plan intends to make a U.S. preemptive strike toward North Korea easier in case of a deteriorating situation over the nuclear issue. Neither of these arguments seems to be sound nor logical.

Ever since the terrorist attack in America on September 11, 2001 (hereafter, 9.11), there have been numerous articles and literatures on the changing nature of U.S. security strategy toward East Asia and its political-strategic influence on the ROK-U.S. alliance. Few articles, however, have dealt with the operational-military impact of a changed U.S. defense strategy upon the reduction and reallocation of the USFK and the alliance relations in general.

In fact, the realignment of the USFK seems to have been closely linked to the sweeping changes in U.S. national security strategy and subsequent military doctrines. Here, the 9.11 terror attack played a critical role in accelerating these changes. The U.S. government, ever since the end of the Cold-War era, has pursued bold reforms in the defense arena, most recently encapsulated by the current Bush administration's endorsement of the so-called Revolution in Military Affairs (RMA) - the application of hard-technologies (smart weapons) and information technology to military affairs - to meet new types of threats and challenges. To achieve the goals of the RMA, the defense community of Washington has performed a defense transformation: a transformation specifically intended to actualize the vision of the RMA.

The transformation efforts in the defense arena have been accelerated under the Bush (George W. Bush) administration after experiencing such an unprecedented disaster in the United States as the 9.11 terrorist attacks. The Bush administration adopted a new national security strategy in September 2002, which was followed by a new defense strategy.[1] Changes in the defense strategy require a reorganization of U.S. forces, including U.S. forces staying in foreign countries. USFK troops are no exception.

The main purpose of this paper is to explore the impact of global U.S. defense transformation strategy and its implications for the USFK realignment issue from an operational-military perspective. To this end, this paper consists of four major sections. After this brief introduction, the next section analyzes the characteristics and intentions of defense policy in the Bush administration, including its perception of newly emerging threats and the defense measures to meet these threats. The third section deals with the strategic goals and achievements of the U.S. global defense transformation under the guidance of the new defense paradigm. The fourth section examines the influence of U.S. defense policy and defense transformation on the reduction and reallocation of the USFK. Finally, the last section suggests some policy options for South Korean security in the foreseeable future.

DEFENSE POLICY CHOICES FOR THE BUSH ADMINISTRATIONS

In the words of The Economist, "the United States bestrides the globe like a colossus. It dominates business, commerce and communications; its economy is the world's most successful, its military might second to none."[2] The United States is undoubtedly the world's number one superpower. Some argue that America's power is so great that it will last for decades and the so-called "unipolar moment" will become a unipolar

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1 The White House, *The National Security Strategy of the United States of America* (Washington, D.C.: U.S. GPO, September 2002).

2 "America's World," *The Economist,* October 23, 1999, p.15.

era.[3] With the United States accounting for nearly half of the world's military expenditure, no countervailing coalition can create a traditional military balance of power. Even if the United States cut its defense spending in half, as it is currently considering, it would still outspend Iran, Iraq, and North Korea by a factor of fifteen, and China by more than two to one. But beneath that surface structure, the world changed in profound ways during the last decade of the twentieth century.[4]

The 9.11 terror incident was like a flash of lightning on a summer evening that displayed an altered landscape. The terrorist attack presented a different view of the world and changed everything. The U.S. had no choice but to change its defense strategy, its traditional threat matrix, military readiness and structure, doctrine, strategy, and tactics in order to be completely capable of meeting a different security environment and a different type of enemy threat.

From the military perspective, the U.S. would seem to possess far too small a military to maintain its global commitments. As a result, potential foes might be tempted to attack U.S. allies in key regions such as the Persian Gulf and Northeast Asia.[5] Thus, the U.S. thinks that the change of defense policy is necessary to ensure U.S. forces can continue to operate from a position of overwhelming military advantage in support of strategic objectives, arguing that the U.S. cannot afford to react to threats slowly or have large forces tied down for lengthy periods of time.

This section will begin with the changes in the types of threats that the U.S is facing, followed by an exploration of

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3 William Wohlforth, "The Stability of a Unipolar World," in Michael Brown, *et. al., America's Strategic Choices,* rev. ed. (Cambridge, M.A.: MIT Press, 2000), p.305 and p.309

4 Joseph S. Nye, Jr., "U.S. Power and Strategy After Iraq," *Foreign Affairs,* Vol. 82, No. 4 (July/August 2003), p.60.

5 Michael E. O'Hanlon, *Defense Policy Choices for the Bush Administration* (Washington, D.C.: Brookings Institution Press, 2001), p.3.

the system and strategy the U.S has pursued and its broad and specific purposes.

Emerging Threats: New Actors and Asymmetric Threats

The question of who poses a major threat to U.S. security is a very important one because the answer will determine countervailing strategies and doctrines. During the Cold War, threats were very clear: the Soviet Union and the coalitions of communist countries. The nature of the Cold War threat required the U.S. to emphasize deterrence of the enemy's use of force, producing a grim strategy of mutual assured destruction. Symmetric defense policy to blockade the advance of the Soviet Union triggered an arms race with the Soviets. But with the collapse of the Soviet Union and the end of the Cold War, the U.S. security environment has undergone profound transformation.[6]

As has been pointed out, the events of 9.11 dramatized how dreadful conditions in poor, weak countries halfway around the world can have terrible consequences for the United States. The information revolution and technological change have elevated the importance of transnational issues and have empowered non-state actors to play a larger role in world politics.[7] Terrorism itself is nothing new, but the "democratization of technology" over the past decades has been making terrorists more lethal and agile, and the trend is likely to continue. Terrorism is often described as mindless, senseless, or irrational violence. If we put aside the actions of a few authentic lunatics, terrorism is seldom mindless or irrational. The objectives of terrorism are not those of conventional combat. Terrorists do not try to take and hold ground or physically destroy their opponents. International terrorism in this sense

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6 The White House, The National Security Strategy of the United States of America, p.13.

7 Joseph S. Nye, Jr., "U.S. Power and Strategy After Iraq," p.61.

is violence against a system, which is waged outside the system. A number of technical developments have made terrorism more potent. Progress has provided terrorists with new targets and new capabilities. New weapons, including powerful explosives and sophisticated timing and detonating devices, are increasing terrorists' capacity for violence.[8]

The U.S. faces an uncertain environment containing both traditional and nontraditional security challenges. Perhaps the most significant challenges derive from the increasing number of weak governments and the rise of sub-state and trans-state loyalties and actors. Unconventional and unusual nonstate actors, such as transnational terrorist groups, drug cartels, and rebel groups with the means and intent to threaten the US and its interests are now of strategic concern, not to mention the threats posed by more traditional sources, as the recent environmental disasters have been testimony to.

The end of the Cold War eliminated or reduced many threats to U.S. security. However, it did not make the world necessarily safer or easier to understand. One surprise attack by a transnational terrorist group killed more Americans than Japan did in 1941. Traditional state centric analysts think that punishing states that sponsor terrorism can solve the problem. Such punitive measures might help, but in the end they cannot stop individuals that have already gained access to destructive technology. US officials feel that too much of the U.S. military planning during the 1990s focused on a few familiar dangers, failing to prepare adequately for the broad array of potential challenges of consequence to U.S. interests and failing to address the nation's inherent vulnerability to asymmetric attacks as the decade progressed.

Asymmetric threats tend to be: unusual in our eyes; irregular in nature in that they are posed by instruments

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[8] Brian M. Jenkins, "International Terrorism," in Robert J. Art and Kenneth N. Waltz, eds., *The Use of Force: Military Power and International Politics,* 4th ed. (New York: University Press of America, 1993), pp.78~83.

unrecognized by the long-standing laws of war; unmatched in our arsenal of capabilities and plans; highly leveraged against our particular assets- of both military and, probably more often, civil; designed not only to secure leverage against our assets, but also intended to work around, offset, and negate what in other contexts are our strengths; difficult to respond to in a kind manner; difficult to respond to in a discriminate and proportionate manner; friendly to the frightening prospect of the "unknown unknown:"[9] as Gray puts it, even a sophisticated security community is going to miss some "unknown unknowns" if it doesn't know what it's supposed to be looking for in the first place.

The struggle against global terrorism is different from any other wars in U.S. history. Traditional concepts of deterrence will not work against asymmetric threat. This seems to lead to the conclusion that U.S defense planning must assume that surprise is the norm, rather than the exception. Adapting to surprise quickly and decisively therefore must be a hallmark of 21st century defense planning.[10]

The Adoption of a New National Security Strategy

The tragic events of 9.11 paved the way for the establishment of a new U.S. national security strategy, named the "Peace Strategy." The new strategy has been embodied in the new *National Security Strategy of the United States.* To summarize the aims of the American Peace Strategy: it is to defend peace by fighting against terrorists and dictators, to preserve peace by maintaining strong relations with regional powers, and to extend peace by creating free and open societies.

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9 Colin S. Gray, "Thinking Asymmetrically in Times of Terror," *Parameters,* Vol. 32, 1 (Spring 2002), pp.5~6.

10 U.S. Department of Defense (DoD), *Annual Report to the President and the Congress* (Washington, D.C.: U.S. GPO, 2002). <*http://www.dod.mil/execsec/adr2002/toc2002.htm*>.

Of these new American defense strategies, defending the peace is given the most focus and is based on fundamental principles of assurance, dissuasion, deterrence, and defeat. The new national security strategy marks a significant change in the approach of the US to issues of national and global security; a brief summary follows of some of the key policy changes and measures. First, the previous defense strategy of deterrence and containment is replaced by deterrence, containment, and preemption. Second, the U.S. will pursue development of tactical nuclear weapons that could be deployed and used, rather than the development of large yield nuclear weapons, which were developed as a means of ending conflicts up until the end of the Cold War. Third, from its previous strategy of engaging China and focusing on Europe, the new US strategy, while containing China, shifts the focus to the Asian region as a whole. This strategy, however, has not been actively pursued due to China's strategy of active intervention in the War on terror, and the American Realpolitik that sought cooperative relations with China.

Fourth, the U.S. will pursue a strategy of non-proliferation of WMDs (Weapons of Mass Destruction) due to Washington's distrust of the existing non-proliferation regimes, and the possibility of WMDs falling into the hands of rogue states and terrorists networks, which would render unthinkably horrible consequences. The U.S. has devised this strategy to pursue anti-proliferation. Fifth, the U.S. is constantly seeking ways to deploy an effective national missile defense system. The U.S. has actively developed critical components of a missile defense system since its withdrawal from the Anti-Ballistic Missile Treaty (ABM Treaty) in June of 2002. Lastly, with regard to the defense of the homeland, Washington established the Department of Homeland Security (DOHS) and the Northern Command to address security gaps in the nation's defenses since 9.11. The Creation of the DOHS is the biggest reform of the intelligence services in the U.S. since the end of World War II.

Defense Paradigm Shift: Threats – Based vs. Capability – Based System

With regard to those newly emerging threats, the most important and serious question is whether the U.S. can deter asymmetric attacks in the future. Unlike hegemons in the past, the United States lives in a world of spatial responsiveness and timely agility. For example, it was relatively difficult for aggressors to infiltrate world powers of the past, whether they were ancient civilizations like China, or Rome or more modern hegemons like Great Britain (as she was then) during the 19th century. The world that the hegemons dominated was divided and interrelations were rare. Geographic distances and time provided the hegemons room and space to feel secure and guaranteed the security of the country. Since 1815 the U.S. has been by far the most secure of the world's great powers, blessed with two vast ocean moats, no nearby great powers, and the world's largest economy. However, in terms of homeland security, it has unprecedented vulnerability. The people of America no longer feel secure psychologically and geographically: there seems to be the perception that their security systems are in a state of chronic vulnerability to attack.

Polls in late 2002 showed that 70~90 percent of the American public believed that Sadam Hussein would sooner or later attack the United States with weapons of mass destruction.[11] Between 45 percent and 66 percent also believed that he had assisted the 9.11 attackers.[12] The Bush administration's WMD claims were also widely accepted. Prewar polls showed that 55~69 percent of Americans believed that Hussein already possessed WMDs, and 95 percent believed that he

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11 Gallup polls, September 13~16 and December 10~11, 2002; and Fox New polls, September 24~25 and December 3~4, 2002.

12 Gallup poll, August 19~21, 2002; Pew polls, October 2~6, 2002 and February 12~18, 2003; and *New York Times* poll, March 11, 2003.

was building them.[13] In one poll, 69 percent believed that Iraq already had nuclear weapons, and in another, 80 percent thought this was likely.[14] These beliefs translated directly into American support for preventive war. There was a brief blip in support for invading Iraq immediately after 9.11 with as high as 74 percent supporting this in November of that year.[15] The percentage favoring invasion even without UN sanction or allied cooperation rose from 20 percent in June 2002 to 45 percent in August 2002 and to 55 percent in March 2003, matching the evolution of the administration's public position.[16]

The concept of traditional deterrence cannot be applied to cope with new threats such as terrorism. In the politically fragmented post-Cold War era, sub-state and trans-state groups operate within and across territorial boundaries. Such groups have resources that enable them to travel and communicate across relatively open borders. Many are motivated by ethno-religious zeal. In the pursuit of specific political goals, they are likely to act in relatively unconstrained ways, using weapons of mass destruction. There will be interconnections among ethno-religious, political, and criminal groups as they share information, technologies, and resources.[17] Consequently, the U.S. has to develop new capabilities to deal with this rapidly evolving threat matrix. Specifically, deterrence, which is a function of the costs and risks associated with military action, is most likely to be obtained when an attacker believes

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13 Gallup polls, February 8~10 and August 19~21, 2002; February 5 and February 7~9, 2003; and *Washington Post* polls, February 5 and February 6~9, 2003.

14 Fox News poll, September 8~9, 2002; and Time/CNN poll, January 15~16, 2003.

15 Gallup polls, November 26~27, 2001, and March 22~24, 2002.

16 Gallup polls, June 17~19 and August 19~21, 2002; March 14~15, 2003; and *New York Times* poll, March 11, 2003.

17 Roy Godson, "Transstate Security," in Richard Shultz, Jr., Roy Godson, and George H. Quester, eds., *Security Studies for the 21st Century* (Washington, D.C.: Brasey's Inc., 1997), p.82.

that his probability of success is low and that the attendant costs will be high. Cost on the conventional battlefield is a function of military casualties, lost or damaged equipment, civilian casualties that result from the fighting, and the expense of mobilizing, deploying, and maintaining the forces.

States use military forces to protect key interests, deter aggression, compel compliance with desired ends, and assure allies and dependents of support. The "Clausewitzian" use of military force works best against a fixed opponent, one with an identifiable center (territorial or personal) that is vulnerable and considered valuable. Deterrence requires a rational, cohesive opponent who will be persuaded to defer action by a credible threat of overwhelming force to vital interests where the risks of a hostile action clearly outweigh the benefits. Again, assurance is only credible when threats to the system are vulnerable to military forces.[18] In short, deterrence means discouraging the enemy from taking a military action by posing for him a prospect of cost and risk outweighing his prospective gain. In terms of the meaning of deterrence mentioned above, some groups or nations posing an asymmetric threat have no factors to lose, therefore, the conventional concept of deterrence by adopting a military posture could not as such deter an asymmetric attack.

During the Cold War, the U.S. and the ex-Soviet Union maintained threats-based strategies, systems, and defense policies. In other words, during the Cold War, U.S. and Soviet defense posture depended on the seriousness of the threat by the enemy. As previously mentioned, this approach could be seen in the characteristics of the threat-based system in the arms race between the two countries. But now the U.S. is faced with a totally different enemy that might not be deterred by conventional means.

The new defense strategy is built around the concept of

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[18] Glen H. Snyder, *Deterrence and Defense: Toward a Theory of National Security* (Princeton, N.J.: Princeton University Press, 1961), p.3.

shifting to a capabilities-based approach to defense. That concept reflects the fact that the U.S. cannot know with confidence what state or non-state actors will pose threats to the interests of the U.S. and its allies. It is possible to anticipate the capabilities that an adversary might employ to coerce its neighbors or directly attack the U.S. or its deployed forces. A capabilities-based model focuses more on how an adversary might fight than on whom the adversary might be and where a war might occur. Moving to a capabilities-based force also requires the U.S. to focus on emerging opportunities that certain capabilities can confer on the U.S. military,[19] including: advanced remote sensing, long-range precision-strike systems, transformed maneuver and expeditionary forces and systems, and the ability to overcome anti-access and area-denial threats.

DEFENSE TRANSFORMATION STRATEGY

Concept and Goals of Transformation

Defense transformation is a process that actualizes the vision of the RMA. According to Mckendree, the RMA is a military technology revolution combining surveillance, C3I and precision munitions with new operational concepts, including information warfare, continuous and rapid joint operations (faster than the adversary), and holding of the entire theater at risk (i.e., no sanctuary for the enemy, even deep in his own battle space).[20]

RMA had originally evolved from the Soviet concept,

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[19] U.S. DoD, *Quadrennial Defense Review* (Washington, D.C.: GPO, 2001), pp.13~14. <http: // www.d-n-i. net/fcs/pdf/qdr_2001.pdf>.

[20] Tom McKendree, *The Revolution in Military Affairs-Issues, Trends, and Questions for the Future,* paper presented at 64th MORS Conference, Fort Leavenworth, Kansas, June 1996.

Military Technical Revolution (MTR). Although there are several different conceptions of RMA, the one most commonly assigned the term "RMA," focuses on a combination of newly emerging military technologies, military organizations, and operational concepts made possible by advancing technology. Admiral William Owens, former Vice Chairman of the Joint Chiefs of Staff, identifies three overlapping areas: 1) intelligence, surveillance and reconnaissance, 2) command, control, communications and intelligence processing, and 3) precision force.[21]

The RMA, however, has only become an action plan for U.S. Armed forces comparatively recently. After the end of the Cold War, the American public showed little interest in defense issues and defense was not on the election agenda. In addition, former Presidential involvement in examining the fundamental capabilities of the armed forces was minimal. There were attempts by Presidents Bush (George O. Bush) and Clinton to put their stamp on the era and find a concise way to express overall American national strategy. For President Bush, the phrase was a "New World Order."[22] For President Clinton, national strategy was initially tagged as "Engagement and Enlargement,"[23] later reduced to just "Engagement." But neither of these administrations appeared to have any roadmap or action plan to achieve the RMA vision.

It was the new Bush administration that began to turn the vision of the RMA into reality. In a speech in September 1999 at the Citadel in South Carolina, George W. Bush, who

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21 U.S. Congress. Senate. Committee on Armed Services. Subcommittee on Acquisition and Technology. Revolution in Military Affairs. Hearing. May 5, 1995. Testimony of Daniel Goure, Andrew Krepinevich, Andrew Marshall, and Admiral William Owens.

22 President George Bush, Report to Congress, *National Security Strategy of the United States*, (Washington, D.C.: The White House, August 1991).

23 President Bill Clinton, Report to Congress, *A National Security Strategy of Engagement and Enlargement* (Washington, D.C.: The White House, May 1994).

was then a governor, promised a radically transformed U.S. military if elected president. He promised to skip a generation of weapons purchases in order to create a military system featuring advanced technologies.[24] Transformation is at the heart of the new strategic approach of the United States.

Spurred by dramatic advances in technology, the U.S. military has adopted a new style of warfare through "Defense Transformation." Through the guidance of policies and measures outlined in official publications such as the *Quadrennial Defense Review 2001* (QDR 2001), the *National Security Strategy of the United States of America* (2002), *Transformation Roadmap* (2002), and *Transformation Planning Guidance* (2003), transformation has become a "creed." George W. Bush and Donald Rumsfeld have also become the main exponents of the dogma.

"Transformation" combines advanced technologies, organizations, people, and processes with concepts to create new sources of military power that are more responsive, deployable, agile, versatile, lethal, survivable and sustainable. According to *Transformation Planning Guidance,* transformation is a process that shapes the changing nature of military competition and cooperation through new combinations of concepts, capabilities, people and organizations that exploit Washington's advantages and protect against Washington's asymmetric vulnerabilities, thereby allowing the US to sustain its strategic position, which helps to underpin the peace and stability of the world.[25] That is to say, transformation is about changing the way the U.S. deploys, fights, sustains, and uses information that will make the U.S. forces more strategically responsive and dominant across the spectrum of operations.

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24 Governor George W. Bush, "A Period of Consequences," speech at the Citadel, South Carolina, (September 23, 1999). *<http://www.citadel.edu/pao/addresses/pres_bush.html>.*

25 U.S. DoD, *Transformation Planning Guidance* (Washington, D.C.: GPO, April 2003), p.3. *<http://www.oft.osd.mil/library/library_files/document_129_Transformation_Planning_Guidance_April_2003_1.pdf>.*

Attaining enhanced strategic responsiveness requires transforming logistics concepts, organizations, technology and, most importantly, mind-set. In short, transformation is about more than just building new high tech weapons, although that is certainly a part of it. It is also about new ways of thinking and fighting against the unknown, the uncertain, the unseen, and the unexpected threats.[26] And it is referred to as a change of mindset that will allow the military to harness the technological advances of the information age to gain a qualitative advantage over any potential foe.

The purpose of transformation is to maintain and improve U.S. military preeminence in the face of continuing changes in the strategic environment. Transformation must therefore be focused on emerging strategic and operational challenges and also the opportunities created by these challenges. Six critical operational goals provide the focus for the US DoD's transformation efforts: (1) protecting critical bases of operations (U.S. homeland, forces abroad, allies, and friends); (2) defeating weapons of mass destruction (chemical, biological, radiological, nuclear, and enhanced high explosive: CBRNE) and their means of delivery; (3) assuring information systems in the face of attack and conducting effective information operations; (4) projecting and sustaining U.S. forces in distant anti-access or area-denial environments and defeating anti-access and area-denial threats; (5) denying enemies sanctuary by: providing persistent surveillance, tracking, and rapid engagement with high-volume precision strike, through a combination of complementary air and ground capabilities, against critical mobile and fixed targets at various ranges and in all weather and terrains; enhancing the capability and survivability of space systems and supporting infrastructure; and (6) leveraging information technology and innovative concepts to develop an interoperable, joint C4ISR (Command,

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[26] Donald H. Rumsfeld, "Transforming the Military," *Foreign Affairs,* Vol. 81, No. 3 (May/June 2002), p.14.

Control, Communication, Computer, Intelligence, Surveillance and Reconnaissance) architecture and capability that includes a tailorable joint operational picture.

Required Capabilities of the Army Transformation

It is clear that the Bush administration is committed to fundamental changes in current and planned military forces, changes that would appear to require a transition to very different weapons, operational concepts, and organization. The active support of the armed services would seem to be critical to this transformation process. However, the attitudes of the three services toward transformation defy easy characterization. The U.S. Navy and Air Force tend to equate transformation with marginal improvements to current weapons and doctrines rather than the development of fundamentally new capabilities that Secretary of Defense Rumsfeld has called for. The U.S. Army is highly supportive of transformation and new ways of war. The U.S. Air Force relies most heavily on technology, followed by the Navy. The Army and the Marine Corps are less technology-intensive services. It is surprising, therefore, that the Army is more enthusiastic than the Air Force and the Navy about the transformation to change the character and conduct of warfare. We can imagine that the U.S. Army is willing to catch up with the rest of the services by pushing ahead with the transformation. Moreover, in the post-Cold War era, the Army has played a pivotal role in conducting war on terrorism. Therefore, in this section, we will deal with the Army's role and its required capabilities.

After its experience in the Kosovo war, the Army leadership under the Army Chief of Staff General Eric Shinseki decided to undertake a modernization effort to improve its responsiveness in such austere combat theaters and has laid out a vision for transforming the Army, launching in October 1999 what is known as the "Army Transformation". The idea was to create an intermediate type of unit, medium weight in protection and firepower. It would attempt to fill the gap between the under-gunned light divisions and the heavy armored and mechanized infantry divisions. The U.S. Army regards transformation as the process of changing the Army into a force capable of dominating at every point on the spectrum of operations.[27]

The dominant form of military power in the past consisted of large forces equipped for an all out contest of limited duration. The Army needs much improved strategic responsiveness. In sharp contrast to the geographic focus of the Cold War experience, which allowed for massive pre-positioning of units, equipments, and supplies in Europe and Northeast Asia, the post-Cold War Army must be able to deploy rapidly around the world. Therefore, the U.S. requires the transition from military operations other than war to warfighting without a loss in momentum.[28]

It is possible to discuss the combat development dimension of the US Army's transformation at various levels, such as doctrine, training, leader development, organizations, materiel and soldiers. In this section, for analytical necessity, we will briefly present an overview of the characteristics of doctrine, organizations and materiel (weapon systems). Figure 1 below summarizes the overall objectives and directions of the US Army's transformation.

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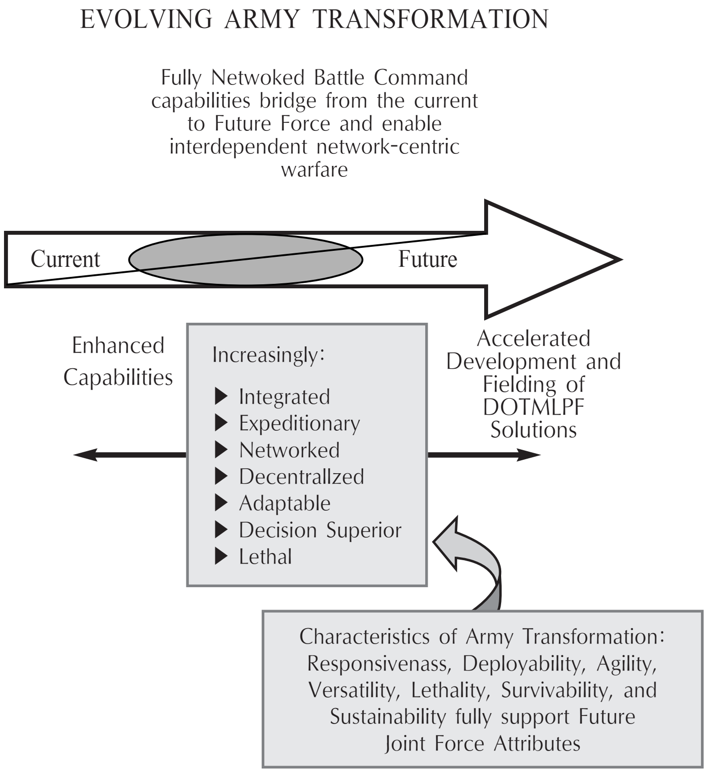
27 U.S. Army, *United States Army White Paper: Concepts for the Objective Force* (Washington, D.C.: GPO, 2002). *<http: //www.army.mil/futures/WhitePaper/ObjectiveForceWhitePaper.pdf>.*

28 U.S. Army, Transformation Roadmap (Washington, D.C.: GPO, 2002), p.4. *<http: //www.army.mil/vision/transformation_roadmap.pdf>.*

〈Figure 1〉 Evolving Army Transformation



Doctrine

Military doctrine is a set of fundamental principles that guide military operation. Although technological development gave birth to hi-tech weaponry, application of these new armaments for new organizational structures and war doctrine has yet to be fully realized. So, while it is true that the development of communications technologies has substantially refashioned American military capability, it is still one that is largely based on heavy army divisions. Although the U.S. military has adopted an Air-Land Battle doctrine, recent war experiences forecast development of a new military doctrine. Incredible advances in C4I technology, together with the development of long-range precision strike capabilities, now allow a new military strategic doctrine to be feasible.

Within this context, the U.S. Army Training and Doctrine Command (TRADOC) has developed the Future Force Capstone Concept as well as subordinate concepts to support Army Transformation policy. The U.S. Department of Defense has proposed a new war-fighting concept, the so-called Rapid Decisive Operations (RDO). The April 1999 Defense Planning Guidance established a requirement to develop new joint war-fighting concepts to address a variety of challenging and important future operational missions. RDO relates to compelling an adversary to undertake certain actions or denying the adversary the ability to coerce or attack others. Although many RDO principles will apply to larger-scale, longer-lasting operations, the RDO concept is not intended as a preliminary phase of a protracted campaign. This RDO concept is founded on the key ideas outlined in Joint Vision 2010, and further amplified by the *Capstone Concept for Future Joint Operations* (CFJO) in May 1997.

The RDO concept focuses on how a highly deployable, lethal, agile, survivable, and supportable joint force can rapidly defeat an adversary's operational and strategic centers of gravity. The essence of the concept emphasizes situational understanding, immediate response capability, speed, and massing of effects rather than forces. Distinguished from traditional operations, this approach will not usually focus on seizing and occupying territory in the battle space except for a limited purpose, such as to generate an otherwise unobtainable opportunity for precision engagement, to secure a key decisive point, or to protect the civilian populace. Forces inserted for these purposes would have the capability to be quickly withdrawn and employed elsewhere. A RDO campaign will typically be characterized by immediate, continuous, and overwhelming operations to shock and paralyze the adversary, destroy their ability to coordinate offensive and defensive operations, fragment their capabilities, and foreclose their most dangerous options.[29]

In short, RDO is a joint operational concept for future operations. A rapid decisive operation will integrate knowledge, command, control, and effects-based operations to achieve the desired political/military effect. In preparing for and conducting a rapid decisive operation, the military acts in concert with and leverages the other instruments of national power to understand and reduce the adversary's critical capabilities and coherence. The United States and its allies asymmetrically assault the adversary from directions and in dimensions against which he has no counter, dictating the terms and tempo of the operation. The adversary, suffering from the loss of coherence and unable to achieve his objectives, would choose to cease actions against U.S. interests.[30]

Organizations

The U.S. Army has ambitiously pursued its transformation plan in order to meet its future strategic needs by restructuring itself into a Modular Army based on brigade unit forces with Joint Expeditionary Force capabilities. Another key aspect of this transformation process is providing predictability and stability for its forces with the introduction of three-year-lifecycles for brigades stationed overseas or those currently engaged in combat, by giving pre-notifications for rotation or transfer from a soldier's post. The Army Chief of Staff has called this transformation plan the largest reform of the

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29 *<http://www.globalsecurity.org/military/ops/rdo.htm>.*

30 Joint Forces Command, *Concept for Rapid Decisive Operations* (RDO White Paper Version 2.O) (Suffolk, VA: 2001), p.11. *<http://www.daml.org/2002/01/experiment/ RDO_White_Paper.pdf>*

Army in the past fifty years.

The stated goal of the Army's transformation, (note that unless otherwise stated, the term "Army" refers to the US Army), achievable or not, is the ability to deploy a combat capable brigade anywhere in the world within 96 hours after liftoff, a war fighting division within 120 hours, and five divisions within 30 days. Although the "96-hour, 120-hour, 30-day" goal may be unachievable, at least for the foreseeable future, the U.S. has clearly placed great emphasis on making the Army more strategically deployable and better prepared to respond to unanticipated future crises.[31]

Creating modular organizations is an important component in achieving the rapid deployment capabilities that the U.S. Army seeks. Consequently, it is in the process of redesigning two of its divisions to enhance modularity of its current force structure. Over the last four years, the U.S. Army has developed the organizational constructs for network centric capable tactical formations- the Striker Brigade Combat Team (SBCT) for its Current Force and the Unit of Action (UA) and Unit of Employment (UE) for its Future Force.

The Army's newly designed SBCT for its Current Force has been fielded since 2003, and is envisaged as remaining in operation until at least 2008, while the even more distant Future Force will be fielded in the post-2010 period. From now until then, the main emphasis will be on building a lighter force. For instance, combat vehicles will be lighter than the M1 tank (65~70 tons) or the M2 Bradley Fighting Vehicle (roughly 32 tons).

The Stryker Brigades provide increased strategic responsiveness and crucial battlefield dominance, so-called "tactical overmatch," when properly augmented to meet the full range of future operational requirements. The first two of six combat brigades

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[31] Bruce R. Nardulli and Thomas L. McNaugher, "The Army: Toward the Objective Force," in Hans Binnendijik, ed., Transforming America's Military (Washington, D.C.: National Defense University Press, 2002), p.104.

are already in the process of converting to SBCT's, with the fielding of the Stryker Armored Vehicle (SAV). The first SBCT has completed all operational testing and has already been deployed to Iraq.

The Current Force guarantees the Army's near-term war-fighting readiness. Because the Army skipped a procurement generation (1990s and 2000s), the Army's combat supports exceed their life expectancy (20 years for most systems). Further, 75 percent of critical combat systems exceed half of their life expectancy. To maintain operational readiness and to stabilize the growth in operation and support costs of the Army's aging weapon systems, the Army is recapitalizing and selectively modernizing a portion of the Current Force.

The Current Force, which includes Stryker Brigades, heavy divisions, light divisions, aviation and Special Operation Force (SOF), has proven its combat effectiveness. The Army has terminated and restructured numerous programs to generate savings that were reinvested in Army Transformation. The majority of the Army's funding for the Current Force has been invested in the systems that will be transferred into the Future Force.

The Army is also developing a Future Force that is a strategically responsive, precisely maneuverable, and dominant across the complete range of military operations. The Future Force is not meant to be envisioned as an ultimate destination, but is instead a path toward continuous change. The Future Force will be equipped with significantly advanced capabilities provided by systems such as Future Combat System (FCS) and Comanche. The Future Force will be a commander-networked system through mobile, adaptive, reliable, battle command capabilities.

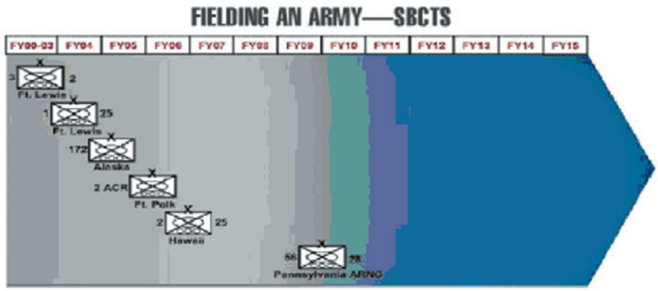
The U.S. Army has also designed Units of Employment (UEs), which are tailorable, higher-level echelons that integrate and synchronize Army forces for full-spectrum operations at the higher tactical and operational levels of conflict. They participate in all phases of joint operations from initial entry to conflict termination in any form of conflict and operating environment and in all weather and terrain conditions. UEs can command and control Army, joint, and multinational forces. They perform the C2 (joint command and control) functions as an Army Forces (ARFOR) component. They have the inherent capacity to interact effectively with multinational forces as well as with interagency, nongovernmental organizations, and private organizations.

Materiel

The U.S. Army is taking specific steps to develop the field systems that enable Current and Future Forces to have the capabilities that the JFC requires to execute the Joint Operating Command. Many of these capabilities come from the procurement and fielding of critical transformational systems and families of systems including: the Stryker Family of Armored Vehicles, the Network system, the Joint Tactical Radio System (JTRS), Soldier Modernization, the Comanche Armed Reconnaissance Helicopter, the Future Combat Systems (FCS), precision Munitions, Air and Missile Defense Systems, and so on.

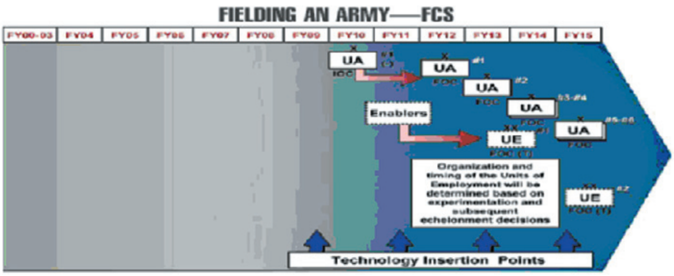
The Stryker Family of Armored Vehicles is the centerpiece of the combat and combat support platform for the SBCTs. The Stryker provides a unique family of systems that maximizes commonality and integrated capabilities. The Army plans to procure 2,131 vehicles in total. The first Stryker Brigade Combat Team (SBCT), the third brigade of the 2nd Infantry Division has already been deployed and the second and third SBCTs are organizing and training. The Army will field six total SBCTs by the end of this decade (see Figure 2 below).

〈Figure 2〉 SBCT fielding schedule



Future Combat Systems (FCS) comprises a system of networked systems linked to the soldier in the battlefield or other operating environment. FCS serves as the core building block within modular maneuver echelons to develop overmatching combat power, sustainability, agility, lethality, and versatility. FCS-equipped Units of Action (UAs) are capable of full-spectrum operations against the full range of threats in any operating environment and in all weather and terrain. The FCS-equipped force enables the Future Force to see first, understand first, act first and finish decisively. FCS consists of the network plus 18 manned and unmanned air and ground systems. The Army plans to achieve initial operating capability within one combined arms battalion by 2010, expanding to a full operational capability UA in fiscal year 2012. Figure 3 below shows their projected deployment schedule.

<Figure 3> FCS–equipped UA fielding schedule



Realignment of U.S. Forces Stationed in Foreign Countries

The U.S. Global Defense Posture Review (GPR) has been reoriented to develop a base system that provides greater flexibilities for U.S. forces in critical areas of the world. It emphasizes additional bases and states beyond Western Europe and Northeast Asia. It also provides temporary access to facilities in foreign countries that enable U.S. forces to conduct training and exercises in the absence of permanent ranges and bases. Furthermore, the new posture provides sufficient mobility, including airlift, sealift, and pre–positioning to conduct expeditionary operations in distant theaters against adversaries.[32]

U.S. officials realized that the way U.S. military assets overseas are currently configured does not address the evolving security challenges of the nation and so American forces should be moved closer to where threats are likely to arise.[33] Until recently, the position of U.S. forces abroad reflected where they happened to be when the last world war stopped.

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[32] U.S. DoD, *QDR* (2001), p.26.

[33] Kurt M. Campbell and Celeste Johnson Ward, "New Battle Stations?" *Foreign Affairs,* Vol. 82, No.5 (September/October 2003), p.95.

For example, at the end of World War II, the U.S. had bases left over around the world from its war against the Axis powers. The bases were soon put to use for a different strategy: hemming in the Soviet Union. Up until the early 1990s, the U.S. global military posture reflected Cold War priorities. Now the U.S. is facing a different kind of enemy and needs to draw new front lines; the problem is these front lines are obscure, unclear, and conceptual.

Perhaps the most significant development in the aftermath of the 9.11 incident would be legitimizing the military option of preemption. For the past half century, American military planning has proceeded from the assumption that the U.S. would respond quickly to aggression but would not be the first to strike.[34] In the wake of the U.S. war on terror, the Bush administration declared that deterrence policy had become outdated in the new era of international terrorism, the emergence of the so-called "Axis of Evil" and unconventional weapons. This is the core of the U.S. new national security strategy issued by the White House.[35]

According to the new Global Defense Posture Review (GPR), Washington classified overseas bases into four categories: Power Projection Hub (PPH), Main Operating Base (MOB), Forward Operating Site (FOS), and Cooperative Security Location (CSL). The U.S. plans to build power projection hubs with capabilities to dispatch greater sized forces over longer distances. The strategic importance of Guam and Hawaii as potential PPHs might increase. Main Operating Bases (MOBs), similar to those that currently exist in Korea and Japan, would have permanent facilities, and be used to train forces and conduct military cooperation with host nations, establish headquarters and provide a living environment such

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34 David Sanger, "Bush to Formalize a Defense Policy of Hitting First," The New York Times, June 16, 2002.

35 The White House, The National Security Strategy of the United States of America, September 17, 2002.

as housing for families for longer term deployment.

Former Under Secretary of Defense Policy, Douglas J. Feith, stated at a House hearing that Germany, Italy, the UK, Japan, and South Korea will be used as the main operating bases.[36] Forward operating sites that keep large facilities to accommodate rotational troops and maintain small forces are supposed to be built in Germany. Cooperative security locations are supposed to be built in Australia and the Philippines where, without forces and facilities, legal arrangement in the form of treaties and agreements will be made to provide sites for training and deployment of US forces when crisis breaks out. However, the precise locations for these bases have not been officially decided yet.

The essence of the U.S. base realignment plan is to replace numerous permanent bases with a small group of major strategic bases and dozens of smaller bases maintained on a limited basis to be used when necessary. Forward Operating Sites (FOSs), meanwhile, will be used as prearranged but unmanned staging areas that the U.S. would be allowed to occupy when necessary. The proposed realignment of the USFK, which will be discussed in the following section in detail, is a part of this larger plan.

U.S. DEFENSE TRANSFORMATION AND ITS IMPACT ON THE REALIGNMENT OF THE USFK

U.S. Concerns about Instability in Asia and Its Implications

U.S. President George W. Bush identified Asia as the second front in the war against terrorism. After the terrorist attacks on New York, Asia garnered further attention from

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[36] "Statement of Douglas J. Feith Under Secretary of Defense Policy before the House Armed Services Committee" (June 23, 2004), p.5. *<http://www.dod.gov/transcripts/2003/tr2003/203-0972.html>.*

U.S. policymakers because of its role as an increasingly important locus of international terrorism, particularly in South and Southeast Asia. To that end, some twelve hundred Special Forces troops and some U.S. $100 million in military equipment were sent to the southern islands of the Philippines on a six month mission to help fight Abu Sayyaf.[37] Bush also characterizes the relationship with China as strategic competition. Even China took the war on terrorism as a license to intensify the suppression on its own Muslim insurgencies in Xinjiang.[38] The new defense strategy of the Bush administration is the first step to broaden the nation's defense policy explicitly to include Asia since the end of the Cold War.[39]

The important implication is the need for U.S. forces that are quickly deployable over long distances. Many potential contingencies in Asia are far from the nearest U.S. bases and could emerge rapidly with little warning. In some cases, the preferred first units to be deployed will be U.S. Marines. In other cases, however, because of the scale and character of the contingency, the U.S. Marines will not be optimally organized or equipped to resolve the crisis. For the U.S. Army to fill this gap, it must have forces capable of being deployed over long distances and engaging in operations within a few days of being ordered to do so. Table 1 below lists some of the challenges that the US could face to its global security interests in the coming years.

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37 Lowell Dittmet, "East Asia in the New Era in World Politics," *World Politics* 5 (October 2002), p.55.
38 *Ibid.,* p.54.
39 Roger Cliff and Jeremy Shapiro, "The Shift to Asia: Implication for U.S. Land Power," in *The U.S. Army and the New National Security Strategy,* ed. Lynn E. Davis and Jeremy Shapiro (Santa Monica, CA: RAND, 2002), p.86

<Table 1> Potential U.S. Security Challenges in Asia

- Invasion of South Korea by North Korea
- Regime collapse in North Korea
- Widespread ethnic or separatist conflict in Indonesia
- Chinese attempt to coerce or invade Taiwan
- Nuclear war between India and Pakistan
- Counter-terrorist or counterinsurgency operations in the Philippines
- Collapse of governance in Pakistan
- Failure of central governance in Burma and China
- War between Burma and Thailand, Malaysia and Singapore
- Land war with China

The Issue of Strategic Flexibility and the Expanded Role of the USFK

Facing the changing strategic environment throughout the world, the U.S. has engaged in both defense transformation and a global posture review, with the result that the military emphasis is now on strategic flexibility of its forces in foreign countries by transforming them into better, lighter, and faster forces.

In a joint communique announced after the annual Security Consultative Meeting in Seoul, 2004, the U.S. reaffirmed the continuing importance of strategic flexibility, essentially hinting at reconfiguring the duties of U.S. forces in Korea so that they could assume a broader mission in Northeast Asia beyond the Korean peninsula. In the communique, Donald Rumsfeld said that "it is not number of things, it is capability to impose lethal power where needed, when needed with the greatest flexibility and with the greatest agility."[40]

A primary reason for pulling back its forces from the front line (the DMZ) to the southern part of South Korea is the U.S. need for the 2nd Infantry Division to be deployed in response to a crisis occurring in Asia. As Rumsfeld and military leaders have said repeatedly, U.S. forces are stretched thin. The U.S. Army has only 10 divisions and cannot afford to have one permanently tied down in Korea.[41] Furthermore, while regional conflicts in the European theater during the Cold War ccurred close to permanently stationed U.S. forces, a future crisis in Asia that involves U.S. forces could occur thousands of miles from the nearest U.S. bases. Much of Southeast Asia, for example, is more than 2,000 miles from the nearest U.S. bases, which are in Okinawa, Guam, Diego Garcia, and the Middle East.[42] To prepare for contingencies in Asia, the U.S. needs forces that can be airlifted as soon as possible.

Military planners at the Pentagon are in fact accelerating the alignment of overseas troops in just such a way. The United States will increase its pre-positioned equipment at air and sea hubs in the southern part of South Korea, so that forces can be rapidly reinforced in the event of a conflict. American troops no longer need to sit at the border in order to deter communism. The U.S. will also move the 2nd Division into posts south of Seoul: facilities at Osan Air Base and Camp Humphrey's will be expanded to accommodate the redeployed forces. This will enable these soldiers to be readied to respond swiftly to contingencies elsewhere in the region.

Let's consider the reach and capability of U.S. forces

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40 Korea Herald, "U.S. hints at possible troop cut," November 20, 2003.
41 Korea Herald, "U.S. Disengagement from Korea," November 21, 2003.
42 Roger Cliff and Jeremy Shapiro, "The Shift to Asia: Implication for U.S. Land Power," pp.87~88.

that will help forces in South Korea. If the U.S. can deploy its operational units onto the Korean peninsula within 96 hours or 120 hours from anywhere, it does not need to station its vulnerable units behind the Military Demarcation Line (MDL) anymore as a so-called "tripwire" in the event of an attack from North Korea. If we consider the reach of the transformed Army from one U.S. base (Fort Polk, Louisiana), a base in Germany, and a base in the Western Pacific (the Philippines), we can see the deployment capability of U.S. forces. Significantly more areas of interest are reachable in 96 hours from these bases. The Western Pacific base provides easy reach to all parts of Indonesia and the Korean peninsula. Both are within the 96-hour range ring. The 96-hour reach from the base in Europe includes most of Southwest Asia, approximately the northern half of Africa, the Balkans, and parts of Asia.[43]

As well as establishing deployment bases or forward operational bases on land, the US also plans to respond swiftly to challenges that threaten its interests by using maritime prepositioning in order to achieve troop mobility. Maritime prepositioning provides significant strategic flexibility in terms of response in that since the unit is already loaded, several days are saved at the beginning of the deployment operation. Maritime prepositioning sites at Diego Garcia and Guam permit access to many key regions in a few days. Two steaming days from Guam covers much of the Western Pacific, including the Korean Peninsula, much of Indonesia, the Philippines, and Taiwan, while two steaming days from Diego Garcia covers much of Southeast Africa, South Asia, and the southern tip of Southwest Asia.[44]

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43 John Gordon and David Orletsky, "Moving Rapidly to the Fight," in *The U.S. Army and the New National Security Strategy,* ed. Lynn E. Davis and Jeremy Shapiro (Santa Monica, CA: RAND, 2002), p.203.
44 *Ibid.*, p.210.

The Realignment of the USFK

It has been against this background of military transformation that the U.S. government has pursed the realignment of the USFK, including a reduction of the USFK while at the same time enhancing combined US–ROK capabilities, relocation of both existing military bases and the Yongsan Garrison, and transfer of military missions from the U.S. side to the Korean side.

The issue of realignment of the USFK had been discussed through the eleven rounds of Future of Alliance (FOTA) Policy Initiative talks between the U.S. and South Korea, held from April 2003 through August 2004. It was at the 10th FOTA meeting, held in Washington on July 22~23, that the two countries finally reached an important agreement on the relocation of U.S. military bases in Korea and the reduction of the U.S. troop level on the peninsula.[45]

As far as the relocation issue is concerned, the U.S. 2nd Infantry Division will be redeployed in two phases. The first phase calls for a consolidation of all existing military bases in Korea with the Uijeongbu and Dongducheon bases by 2006. Then, under the second phase, the two countries would establish a timetable for relocation of these bases to Pyeongtaek, based on the prevailing security environment in Korea. This relocation is expected to provide the 2nd Infantry Division with rapid deployment capability and thus increasing strategic flexibility.

The issue of cutting the number of USFK troops is not new. Historically, troop reduction had been raised as an issue periodically (in 1971, 1978, 1992) by the U.S. government in parallel with the change of U.S. security strategy and an assessment of the threat level of North

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[45] The Republic of Korea, Department of Defense, The Result of the Tenth Meeting of Future of the ROK–US Alliance Policy Initiative *MND News Release* (Aug. 23, 2004).

Korea.[46] However, the current process of troop reduction is significantly different than in the past, since it involves not only downsizing but also redeploying the USFK further south.

At the outset of the FOTA meeting, the U.S. announced that, consistent with its GPR, it would withdraw a total of 12,500 troops from South Korea by the end of 2005. In response to this, South Korea proposed that plans for troop reduction be postponed until 2008, by which time the U.S. will have completed its $11 billion investment program to upgrade its defense capability in Korea.[47]

Washington accepted Seoul's proposal in early October 2004 at the eleventh FOTA meeting by agreeing on three phased withdrawals by 2008, three years delayed than originally scheduled. According to this plan, some 5,000 troops were scheduled to have left by the end of 2004: this figure included 3,600 infantry soldiers that had already been sent to Iraq in August 2004. The second phase would involve the withdrawals of 5,000 combat and support unit troops during 2005 and 2006. In the final stage, 2,500 troops, mostly from supports units, would be withdrawn by September 2008.

As far as the transfer of missions is concerned, Seoul and Washington have agreed to transfer eight military tasks

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46 In the Nixon administration, 20,000 U.S. troops of the 7th Division were withdrawn from Korea by March 1971. The Carter administration withdrew 3,600 troops in 1979. The Bush administration cut 7,000 of the 42,500 USFK (the 3rd Brigade of 2nd Infantry Division) in 1992.

47 The U.S. military command in Korea, on May 31, 2003,announced its plans to invest more than $11 billion over the period of 2004 to 2006 to enhance its defense capability in Korea. This program includes upgrades to the intelligence collection systems, increased numbers of improved precision munitions, and rotational deployment of the Army's newest Stryker unit to improve responsiveness, and additions to Army pre-positioned stocks to increase readiness to defend the Republic of Korea. "USFK Force Enhancement Initiatives." (May 31, 2003). <http://www.usfk.or.kr/en/bbs/view.php?id=press&page=7&sn1=&divpage=1&sn=off&ss=on&sc=on&select_arrange=reg_date&desc=desc&no=70>

from the U.S. to the Korean side by 2006. These include decontamination operations related to chemical and biological attack in rear areas, deterrence of seaborne infiltration by North Korean special units, set up of minefields under emergency situations, search and rescue operations, management of surface-to-air missile facilities, weather forecasting, guarding the Joint Security Area (JSA), and the task of neutralizing potential all-out assaults from North Korea's long-range artillery. However, as to the last two missions, Seoul persuaded Washington to continue to consult on the timing of transfer. Especially regarding the mission of neutralizing all-out assaults from North Korea's long-range artillery, the two sides agreed that the timing for the transfer of this mission would be based on the assessment of the overall combat readiness of Korean forces. The assessment will be undertaken every six months, and this was scheduled to commence in August 2005 by a ROK-U.S. joint military team.

In parallel with these troop reductions and mission transfers, the force structure of the USFK will also be changed. The United States has officially informed the Korean government that it intends to transform the U.S. 2nd Infantry Division headquarters into a "Unit of Employment X" (UEx), boosting its manpower from its current 300 to 1,200 by the end of 2005. The U.S. also plans to turn the 8th U.S. Army headquarters, which commands U.S. ground forces in Korea, into a Unit of Employment Y (UEy), the unit that would command the UEx. In addition, the U.S will transform the 1st Battalion of the 2nd Infantry Division into a high-tech "Unit of Action" (UA) by the end of 2005.[48]

Military experts anticipate that the USFK will have a new form of military structure in 2008 or at least by 2010. The U.S. Navy and Air Force will also remain as core forces until such time as a formal peace agreement is signed between

[48] *Chosun Ilbo,* Aug 4, 2004.

the two countries and a program of demilitarization is put into effect on the Korean Peninsula. It is expected that by 2010, the majority of U.S. forces, except small combat forces, with supporting troops and those stationed in the headquarters, will leave while the Navy and Air Force be reinforced.

While ground forces will be reduced from 28,000 to a size of one battalion or one brigade, the number of aircraft will be increase by one hundred. The role of the USFK will also change. Washington intends to transform the USFK into a rapid deployment force for regional defense, and not just for Peninsula defense, as it currently is. The U.S. will recalibrate the ROK-U.S. alliance to make it responsible for providing a defense against threats from North Korea and for maintaining regional balance in Northeast Asia.

CONCLUSION: POLICY OPTIONS FOR SOUTH KOREAN SECURITY

The end of the Cold War has changed the national security equation of the US; this was made abundantly clear by the events of 9.11, which provided the critical momentum for the U.S. to believe that the source and type of threats it faces have fundamentally changed, calling for fundamentally different policy responses. Accordingly, to counter these newly emerging asymmetric threats, such as international terrorism and the proliferation of WMDs, the Bush administration has pursued sweeping changes in its national security strategy and defense policy.

In the light of the evolution of military technology and in the need for a more mobile and flexible force structure, the U.S. military has been trying to transform its forces from an industrial-age force to an information-age force. As noted above, defense transformation is not a recent phenomenon. It has been ongoing throughout the U.S. military ever since late 2001, as evidenced by the changes of doctrine, weapon systems, human resources, and mindset, and as outlined by the US DoD's goals and objectives under its GPR to make U.S. forces capable of responding quickly to a variety of strategic uncertainties.

The realignment of the USFK should be seen in this context. However, the problem is that the change to the status quo is interpreted by many of the South Korean public as a weakening of the U.S. security commitment to Korea. The South Korean public seems to think that the anti-American sentiment seen in Korea in recent years has had a strong influence on various issues including the realignment of the USFK and the alliance itself. However, as noted above in detail, reforming the USFK seems to be unavoidable, as it is structurally required by the sweeping changes in the global security environment and thus the inevitable changes of U.S. defense strategy and military doctrine in response. The changes seem not to be driven by any particular regional dynamics or in the interests of any particular host nation.

The South Korean government has not only to fully understand this notion but also to positively respond to the U.S. moves on the overall realignment issues. Especially in the military-operational context, the South Korean government should consider the following measures during and after USFK realignment in order to avoid jeopardizing its overall security capability.

First, given the phased reduction and relocation of the USFK, South Korea should take a leading role in its own defense, with the close cooperation of the United States. For this, Seoul has to make a detailed strategic plan on how to improve its defense capabilities and how to cooperate with a reformed USFK in preparing to deal with various contingencies it may face related to the North. In this regard, the capabilities of South Korean ground forces have to be improved so as to fill the temporary power vacuum created by the realignment of the USFK. There are a couple of immediate concerns that need to be addressed if this is to be achieved. One is that

South Korean ground forces will have to enhance their own capabilities for neutralizing potential all-out assaults from North Korea's long-range artillery. Another area for urgent improvement is the development of a C4I network to integrate various war capabilities. It is worth noting that both tasks should be undertaken with Washington's close cooperation since interoperability between the American and South Korean militaries is a crucial element in ROK-U.S. Combined Forces working effectively together.

Second, South Korea, from the mid-and long-term perspective, has to implement a defense transformation not only to enhance self-reliant capabilities, but also to meet strategic uncertainties that may arise from the changing roles of the USFK. This could be done by a "creative adaptation" of the U.S. defense transformation, while at the same time taking into consideration a number of disparities in the security environments between the U.S. and South Korea, including the perception of threat, the scope of the battle space, and financial and technological potential.[49]

Having fully considered those disparities, South Korean efforts for defense transformation have to be pursued along two dimensions: institutional preparation and improvement of combat capability. As to the institutional dimension, the South Korean military needs institutional measures: (1) to maintain transformation momentum, (2) to establish concepts, scope, goals, and transformation strategy based on Korea's current situation, and (3) to provide a roadmap for achieving the goals and objectives of its future forces. Regarding the combat dimension, South Korea has to pursue the improvement of combat capability by first cautiously reviewing its military

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49 For a detailed analysis, see Jin Hwoan Hwang, "Analysis on the Transformation of U.S. Army and Its Policy Implications on the Korean Army," in Korea Research Institute for Strategy (KRIS), ed., *Army Combat Capability Development 2003: Design for Future ROK's Army and Options for Combat Development* (Seoul: KRIS, 2003), pp.500~615. (in Korean).

doctrine, force structure, and weapon systems based on the concept of future warfare and a battle space suitable for Korea.

Third, South Korea has to seriously consider negotiating with the U.S. for the return of wartime operational control to its military authorities. Wartime operational control has been exercised by the Commander of Combined Forces Command (CFC) ever since the establishment of the CFC in November 1978. Meanwhile, peacetime operational control was returned to the Korean Armed Forces in December 1994. To be sure, having commanding authority over its military is natural for any sovereign state. Beyond that, were Seoul to take a primary role for its defense along with the ongoing process of realigning the USFK, the return of wartime operational control would be necessary, as it would allow South Korean military leaders to assume greater responsibility for planning and executing a self-reliant defense policy. A more self-reliant military has to have its own war fighting command, thereby planning and executing its own war plans. It is, however, desirable that negotiation over the return of wartime operational control to Korea proceeds in parallel with both the improvement of Seoul's C4ISR capabilities and redefining the security equation on the Korean peninsula.

Fourth, South Korea has to prevent North Korea from taking advantage of USFK realignment issues in order to justify its nuclear weapons program. Pyongyang could possibly try to justify having a nuclear deterrence capability by citing that the relocation of the USFK is aimed at enhancing U.S. military force projection and preemptive strike capabilities. North Korea should, more than anything else, understand that the realignment of the USFK would be an expansion of its mission of maintaining security from one narrowly focused on the Korean peninsula to one widely focused on the Northeast Asian region. It is up to North Korea to show that it is sincere in its efforts in finding a solution to the nuclear issue and in promoting inter-Korean confidence building measures.

The ongoing process of the USFK's realignment seems irreversible and inevitable when considering the fundamental changes in U.S. defense strategy and military doctrine. However, it presents serious security challenges to a South Korea facing a potentially deteriorating North Korean nuclear situation. South Korea, rather than passively reacting to a USFK realignment process, should actively initiate a realignment process of its own; one that will maximize its security interests by transforming its overall defense capabilities.

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THE ROLE OF CULTURE IN NEGOTIATIONS WITH THE NORTH

WALTER C. CLEMENS, JR.
Boston University

ABSTRACT

Negotiations to control and perhaps eliminate North Korea's weapons of mass destruction (WMD) have foundered on many shoals. To what extent do cultural differences and negotiating styles obstruct mutual understanding and accord? One school of thought holds that professional diplomats transcend their parochial upbringing and communicate their thoughts quite well, even if they must use interpreters. The opposing school holds that culture matters: American diplomats favor a "low context," get-to-the-bottom line approach, while most Asians prefer a "high context" ambience in which "face" and personal relationships are important. This essay evaluates the evidence–much of it contradictory–about the weight of cultural factors in negotiations over North Korea and the bomb. It concludes that such factors have not been central but have often added to the force of other impediments to agreement.

Given the current impasse in the negotiations, this essay asks whether both sides should not turn to a professional mediator to overcome the burden of distrust and hurt feelings, so that the objective interests of the parties could be reconciled and enhanced by a far-reaching accommodation. As former ROK prime minister Goh Kun has put it, Americans should remember that "you need empathy to resolve a dispute," while North Koreans should not "fear to negotiate."

Key Words : Arms Control, Culture, North Korea, Negotiation

ARE DIPLOMATS PRISONERS OF THEIR UPBRINGING?

Thanks to globalization, have international negotiations conducted by professional diplomats been liberated from misunderstandings rooted in diverse languages and cultures? Do today's diplomats transcend the biases and habits of their upbringing? Raymond Cohen (2002) says no. He makes a strong case that culture–basic values and way of life–is a matrix that continues to condition how negotiators perceive the world and respond to signals, what they say, and how they say it. Cohen argues that negotiations are heavily shaped by whether participants embody a "high" or a "low context" approach to negotiations. Most Asians, including Koreans, are said to place great importance on the overall setting of negotiations. For Asians, a negotiated deal is impossible without personal bonds between the negotiators. Low context Americans, by contrast, are said to focus on the bottom line and on abstract rules and laws, with little regard for cultural sensitivities and diplomatic niceties. The graduated reciprocity strategy suggested by psychologist Charles Osgood, however, presumes that all humans–whatever their culture, whatever their acculturation and language–will respond positively to demonstrated efforts at conciliation, provided they wish to reverse a conflict spiral and push toward détente (Osgood 1962; Clemens 1973 and 2003).

An American with vast experience in Korea, Stephen W. Linton, identified the North Korean approach to negotiations in these terms: "From the North Korean perspective, human relations should never be made conditional on something else. Problems should be portrayed as annoying obstacles to what is most important: friendship between the highest levels of leadership…. [Attempts] to meet leadership, resolve sensitive issues, and conclude agreements, all on a three-day trip to Pyongyang, sends the wrong message." Unlike many Westerners, Koreans do not see impersonal law as the framework for action but rather the personality behind the law. "Proof of interest at the highest level is paramount for giving the negotiating process legitimacy." (Linton 1995).[1]

Is Linton naive? As we shall see below, Linton's picture of North Korean negotiating style resembles what American diplomats recalled of Communist China's negotiating culture in the 1970s. Linton's characterization also dovetails with subsequent observations of negotiations with representatives of the Democratic People's Republic of Korea (DPRK) by former Secretary of State Madeleine Albright.

Still, DPRK and Chinese Communists have not always been renowned for their tact. At the Panmunjom negotiating table and other venues their behavior resembled the Soviet model established by "Mr. Nyet" diplomats such as Andrei Vyshinsky and V. M. Molotov. The Communists at Panmunjom demanded a great deal and gave as little as possible. They tried to wear down their opponents by bidding high, persevering, backtracking, repeating, and making only token concessions (Wilhelm 1994). At Panmunjom and elsewhere, North Korean diplomats have often practiced brinksmanship.

Indeed, North Korean diplomats have often said nyet, albeit in their own ways. At times they have seemed to play roles in what Karen Elliott House termed "a theater of the absurd: Pyongyang promises, then procrastinates, then provokes, then pauses. After a long pause come new promises, and the cycle starts anew." (House 1997)

Digging deeper, however, Scott Snyder depicted U.S.-

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[1] Linton grew up in a Presbyterian missionary family in South Korea. He first visited North Korea in 1979 as an observer to an international table tennis meet. Later, while studying and teaching Korean religion at Columbia University, he met twice with DPRK leader Kim Il Song–once as an interpreter for Billy Graham and another time alone. When the DPRK asked for assistance in 1995, Linton left Columbia and founded the Eugene Bell Foundation to coordinate shipments of donated food. In 1997 the DPRK Ministry of Public Health asked Linton to focus the organization's work on tuberculosis. By 2003 Linton had visited North Korea more than 60 times, traveling into every district. See Linton 2003.

DPRK negotiations in another light. He agreed that North Korea's crisis-oriented negotiation style has often shown a pattern of drama and catastrophe-quite different from anything suggested by Linton. Rather than a linear process with a discrete beginning, middle, and end, Snyder suggested that these relations should be seen as a cycle in which issues are revisited, points reexamined, and interpretations redefined. Expanded, the process may include new issues and deeper mutual understanding (Snyder 1999: 43-44).

"FOR US, SAVING FACE IS AS IMPORTANT AS LIFE ITSELF"

Expanding on Linton's thesis, Snyder's 1999 book devotes an entire chapter to elucidating the high context approach taken by North Koreans in dealing with U.S. diplomats. The North Koreans value punuigi [atmosphere] and kibun [good feeling]. If these are absent, they practice kojip [intransigence]-expressed in brinksmanship, cries of wolf, demands for unilateral concessions, bluffs and threats, manufactured deadlines, and threats to walk away from the negotiations. All this aims to create leverage out of weakness. Also, before a deal is possible, the lead DPRK negotiator may need to show kosaeng [suffering]-proof for his bosses that he has done everything possible to extract the most possible concessions. Underlying the entire enterprise is "face." An American visitor to Pyongyang was told: "For us, saving face is as important as life itself." (Snyder 1999: 65-96).

While Linton emphasizes face and feeling, and Snyder drama and catastrophe, each behavior may be part of a larger and quite distinctive "Korean" way of negotiating. Thus, one reviewer of this essay observed: "One has only to spend time working with a South Korean company to see how similar are these strands, and how they have their own internal logic. It is inordinately frustrating to outsiders to encounter Koreans, because the mixture of bombast, face, stubbornness, and emphasis on context and good relations seems quite illogical. But … it's all part of a whole that has an internal logic." This logic arises from the fact that "Korean culture is the most hierarchic in East Asia. As a result, when discussions between two "equals" breaks down, it is a huge break, and also virtually impossible for them to back down or compromise from a stance, no matter how illogical that stance is–to do so is to lose all face and submit to the other side. In this context, a third party, usually of higher "rank" is necessary to intervene and find a solution. Once relations are restored, great warmth and flexibility is possible by all sides, but approached in the wrong manner, this is impossible." Even watching South Korean television, the reviewer wrote, these patterns of conflict and resolution are manifest everywhere.

Another reader, based in Seoul, noted that at times in Korean history, legalists–what we now call realists–argued that power prevailed over Confucian ideals, and that North Koreans today assume that all power is concentrated in Kim Jong Il. Experience in world affairs could teach North Korans that life is not a zero-sum game, but today's DPRK elites have had very little experience in market economics or give-and-take diplomacy.

The first reviewer also observed that the six-party negotiations in 2005 progressed somewhat better than in previous years because "a number of those actually doing the negotiating in Beijing … are deeply experienced with Korea itself (not just East Asia or negotiating in general), and the expectations of what to expect from the North Koreans in terms of style has been much clearer than before."

Experience shows that when Koreans negotiate, whether from the South or the North, they are often tough with each other and practice all the varieties of kojip [stubborn intransigence]. Thus, in apparent contrast to Linton, one experienced U.S. diplomat pictured Koreans as "very direct and tough people." When South Koreans tried to open negotiations with PRC representatives in Hong Kong in the early 1980s, “they made quite a hash of this. They tended to demand things up front, and to use very blunt and insulting bargaining techniques, and to misunderstand the difference between things that needed to be done with a wink and a shrug and things that could be done explicitly. And so they were getting nowhere.” (Charles W. Freeman interviewed in Tucker 2001: 429-430).

In this same vein, the Financial Times correspondent in Korea opined that “militaristic language seems to be a cultural preference.” Even in South Korea, company statements are full of the words for “stronghold” and “military base.” One firm calls its new mobile phone factory in Spain a “bridgehead to attack the European markets.” (Fifield 2005).

“FRIENDSHIP” AS A TOOL IN BARGAINING

Granted that Korean negotiating style is distinct from that of other East Asians, one may nonetheless ask whether North Koreans, along with Chinese Communists, have inherited some behaviors from their erstwhile Soviet patrons. Thus, both Chinese Communist and DPRK negotiating styles seemed to replicate leading motifs of the Vyshinksky (Mr. Nyet) model. In the 1970s, however, Beijing's representatives often conveyed more modulated tones as they negotiated to normalize relations with the United States. Richard Solomon concluded that Chinese diplomats often utilized ostensible personal bonds in pursuit of their goals. (Solomon 1999). “Friendship,” for them, could be real or feigned. Either way, it would be exploited.

Solomon's picture of high context negotiations resembles Linton's. So too does Henry Kissinger's sketch of negotiations with Zhou Enlai and other PRC representatives in the early 1970s. As Kissinger saw it, the Chinese used “friendship as a halter in advance of negotiation, by admitting the interlocutor to at least the appearance of personal intimacy, a subtle restraint is placed on the claims he can put forward."

Unlike most depictions of DPRK negotiators, however, Kissinger saw Chinese diplomats as "meticulously reliable." Also, "they never stooped to petty maneuvers; they did not haggle; they reached their bottom line quickly, explained it reasonably, and defended it tenaciously. They stuck to the meaning as well as the spirit of their undertakings." Across ten visits to China, Kissinger felt he was engaged "in one endless conversation with an organism that recalled everything, seemingly motivated by a single intelligence" (Kissinger 1979: 1056). Kissinger enjoyed immensely his talks with Zhou Enlai. Far from being a hard bargainer, Zhou asked only that Kissinger explain what he needed and why. China's number two leader practiced the openness valued, for example, by many – probably most – participants in the Harvard Negotiating Project (Raiffa 1982). To be sure, Zhou got much of what he wanted, but his style could not be classified in any formulaic way. It combined personal rapport with openness in what could be read as a sincere quest for mutual gain.

Whatever cynics may say about high context opportunism, the diplomatic breakthroughs in U.S.-DPRK relations in the 1990s were initiated thanks to personal contacts: firstly, between Reverend Billy Graham (accompanied by Dr. Linton) and DPRK leader Kim Il Sung; secondly, a June 1994 meeting between scholar Selig Harrison from the Carnegie Endowment for International Peace with Kim Il Sung, and thirdly, a tête-á-tête later that month between former U.S. president Jimmy Carter and Kim. These unofficial contacts of "Track II diplomacy" laid the groundwork for subsequent "Track I" negotiations by government officials.

But the atmosphere [punuigi] in 1994 was extraordinarily complex. Not only was the United States beefing up its military forces in Korea with Patriot missiles and Bradley fighting vehicles, but also U.S. ambassador to the United Nations Madeleine Albright was trying to mobilize the Security

Council to demand sanctions against the DPRK. Less visibly but no less important, PRC foreign minister Qian Qichen was telling his Japanese counterpart, Koji Kakizawa, that China was urging restraint on North Korea. Despite these pressures, just a few weeks before Carter's visit, Kim Il Sung refused to meet with two emissaries chosen by President Clinton, Senators Richard Lugar and Sam Nunn, who were expected to carry a blunter message than Carter. Some of what Carter did and promised exceeded any mandate he carried from Washington. Outflanking hardliners in Washington and offering some international exposure to Kim Il Sung, Carter brought with him a CNN television crew (Gills 1995: 17-18).

The official U.S. negotiators, led by a career Foreign Service officer, Robert L. Gallucci, sought an agreed framework but did so mindful of the cultural and political differences between the sides. It sought to avoid forcing the DPRK regime to choose between its own collapse and military adventure (Gallucci 1997).

MUST PROBLEMS BE RESOLVED AT THE HIGHEST LEVEL?

The memoirs of Madeleine Albright, Secretary of State in the late 1990s, basically support Linton's theses about the importance for Koreans of high-level personal contacts (Albright 2003: 459-472). Still, she was struck by the "smooth" professionalism of the DPRK Foreign Minister Paek Nam-Sun, whom she met for the first time in Bangkok in July 2000. Their talk, expected to last 15 minutes, continued for an hour.

The Americans believed that sending former Defense Secretary William Perry to Pyongyang in 1998 amounted to the dispatch of a "high-level" emissary. When Albright met her opposite number in July 2000, she asked whether Pyongyang would reciprocate. Though it took a few months to get a reply, in October 2000 Pyongyang sent to Washington a near equivalent to Perry in rank. This was the number two man in the DPRK military establishment, Vice Marshal Jo Myong Rok. Visiting the State Department, he wore a gray suit; half an hour later, he appeared at the White House in a full military uniform adorned with medals. Was his costume change a sign of professionalism or Korean culture or both?[2]

"With a flourish, " according to Albright, the Vice Marshal presented Clinton a letter from Kim Jong Il inviting the U.S. president to Pyongyang. When Clinton hedged, Jo pressed for a definitive reply. When Clinton suggested that Albright go first to prepare the ground, Jo did not give up. He said that if the president and secretary came together, "We will be able to find a solution to all problems." As Albright observed, "North Korea's top-down decision-making style didn't fit well with our practice of trying to 'pre-cook' arrangements…before committing the President." Still, Jo invited Albright to Pyongyang.

Before Jo left Washington, each side pledged "no hostile intent" toward the other. While Albright does not comment on this point, the joint pledge amounted to a constructive compromise between the North's demand for a nonaggression pact and the traditional U.S. position that the UN Charter already bans aggression. The importance of the pledge was underlined in 2002 when the Bush administration refused to reaffirm it.

Not long after Jo departed, Albright found herself in Pyongyang in late October 2000. She had been told that to get diplomatic results with North Korea one had to take time and build a relationship. But she had only two days—not even the three derided by Linton! When she met Kim Jong

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[2] For her part, Dr. Albright also liked symbols: She was famous for wearing decorative pins suited to the occasion and her own frame of mind. When she saw Jo again in Pyongyang, he wore a pin bearing the image of Kim Il Sung; she, her largest stars and stripes pin.

Il, the dear leader promptly expressed admiration for her energy (after a marathon flight) and expressed gratitude for two symbolic acts – Albright's visit to his father's mausoleum and a condolence letter from Clinton after Kim Il Sung's death – as well as for humanitarian assistance in recent years. Again expressing the hope that Clinton would visit, the DPRK leader averred that "if both sides are genuine and serious, there is nothing we will not be able to do."

During her short stay Albright found Kim Jong Il to be isolated but intelligent, well informed, and able to discuss a wide range of technical problems without consulting his advisers. He seemed amenable to a missiles-for-cash deal and did not object to the continued presence of U.S. troops in Korea, which he now saw as a stabilizing influence. The main event underscoring cultural differences was a demonstration for Albright by more than a hundred thousand people – what she saw as "an Olympic opening ceremony on steroids" – singing and moving to songs such as "Let Us Hold High the Red Flag."

Clinton wanted to visit Kim Jong Il in late 2000 and try to bring to fruition the negotiations conducted by Albright and others. Incoming president George W. Bush did not object. But Clinton felt he must choose in the final weeks of his presidency between Korea and another mediation effort for the Middle East. He chose the latter. The Americans then invited Kim Jong Il to visit what was still the Clinton White House, but he declined – perhaps because the invitation came so late and could be seen as an affront to "face." But the biggest obstacle to a diplomatic breakthrough was not poor communication or cultural differences but time. Clinton had too many items on his platter and too little time to deal with them.

Prospects for an accommodation with Pyongyang gained from the near absence of brinksmanship in DPRK policy toward South Korea from June 1999 to June 2002. During those three years, spanning the last 18 months of the Clinton administration and the first 18 months of the Bush era, the North provoked no major clashes at sea or along its border with the ROK (Eberstadt 2002: 148). So anxious was the ROK government to avoid provoking Pyongyang that in August 2003 it prevented an NGO effort to waft transistor radios by balloon across the demilitarized zone (DMZ) so that North Koreans could listen to radio broadcasts not controlled by the Kim Jong Il regime. Pyongyang abandoned radio broadcasts to the South earlier that month and called on Seoul to stop its broadcasts, but the South Koreans refused (Brooke 2003). Apparently each side was making delicate judgments about what was permitted in the context of the ROK Sunshine strategy to engage the North. Indeed, both Seoul and Pyongyang agreed in June 2004 to halt broadcasts across the DMZ.

A leitmotif of Bush policy was "anything but Clinton" (ABC). The Bush White House steered sharply away from any kind of deal nurtured by its predecessors. This ABC complex was not immediately grasped by Bush's choice for Secretary of State. Colin Powell assured Albright in late 2000 that the Bush team would pick up with North Korea roughly where the Clinton team left off. (Albright 2003: 470). Indeed, Powell repeated this formulation for reporters on March 6, 2001, as ROK President Kim Dae Jung – architect of South Korea's "sunshine" engagement policy with the North – arrived in Washington. Powell stated that "some promising elements were left on the table, and we'll be examining those elements." But this did not happen. The very next day, as Bush met with Kim Dae Jung, Powell stepped out of the Oval Office to inform the press that North Korea was "a threat…we have to not be naive about the threat." If "there are suggestions that there are imminent negotiations [between the United States and DPRK], this is not the case." Powell underscored that Bush "understands the nature of the regime in Pyongyang and will not be fooled by it." A day later, Powell told the Senate that the DPRK is a "despotic regime" and that the United States might want to revisit the KEDO deal with North

Korea. Powell was catching on to the ABC line.

This was the first of many signs in the next four years that Powell's diplomatic instincts could be overruled by a hard-line president and his closest advisers, and that Powell would sacrifice his own views and even his integrity to remain part of the team. Apparently Bush could dictate, as Khrushchev did, that his foreign minister squat and dance the kazachok.

Compelled to mouth the administration's hard line approach, Powell was (or should have felt) humiliated. The White House also gave a shock treatment to Seoul and Tokyo, whose governments pursued an appeasement strategy toward the DPRK. But the deepest blow went to Pyongyang. Assuming that North Korean leaders placed much weight on personal ties and a semblance of friendship between countries, they probably saw some prospect of better ties with the United States after visits in the 1990s by Rev. Billy Graham, ex-president Carter, and Secretary of State Albright. They probably knew that the elder George Bush had cultivated better ties between the United States and Communist China. They probably heard reports that he urged his own son, the 43rd U.S. president, to continue negotiations with the DPRK. What a shock, then, for Pyongyang when George W. Bush cut off those talks and expressed his disgust toward a regime that let its own people starve.

For his part, the 43rd president probably saw the North Korean regime as the embodiment of evil. Viewing the world in terms of good and evil, Bush in 2002 formally assigned North Korea to the axis of evil. For passionate conservatives, America stands with the sheep; North Korea with the goats. In their eyes, negotiating with evil regimes is useless, dangerous, and perhaps even immoral.

HARSH WORDS AND PERSONAL CONTACTS

Far from trying to establish personal bonds or helping

North Koreans to save face in difficult times, the Bush team repeatedly insulted the DPRK regime and its "Dear Leader." Any government concerned with "face" would balk at demands that it "confess" to wrongdoing and make unilateral concessions. Not surprisingly, when Undersecretary of State John R. Bolton, the top State Department official responsible for arms control, called Kim Jong Il a "tyrannical rogue" in August 2003, Pyongyang replied by branding him "human scum." The North demanded and got Bolton's exclusion from talks held later that month in Beijing. (Slevin 2003: A12).

A sign of the premium that North Koreans placed on personal ties, on January 10, 2003, the very day that Pyongyang announced its withdrawal from the NPT, two DPRK diplomats stationed at the United Nations flew to New Mexico to consult with Governor Bill Richardson, whom they had got to know when he was Clinton's ambassador to the United Nations. Their devotion to the human factor, however, was misplaced–at least in this case: Whatever they worked out with Democrat Richardson would not sit well with a Republican White House in 2003, though his subseqent good will visit to Pyongyang in October 2005 seemed in tune with the more conciliatory inflection in U.S. policy at that time.

As noted earlier, North Korea took part in six-party negotiations in 2004 but refused "indefinitely" in February 2005 to return to this format. What sparked this posture? President Bush had made only one, rather innocuous reference to North Korea in his January 2005 State of the Union speech. But Condoleezza Rice in the hearings about her suitability to be Secretary of State had listed North Korea with five other "outposts of tyranny"–not a phrase calculated to convince Pyongyang that Bush 2 would make a fresh start.

Official Washington seemed unconcerned about "face" or the "high context" atmosphere on which East Asian diplomats often place great weight. One wonders if America's leading diplomat publicly lambasted recalcitrant deans and department heads when she ran Stanford University. Did her experience suggest that dialogue was improved by publicly insulting or ignoring the other side?

When Pyongyang again demanded two-party talks in February 2005, Washington replied categorically that it would take part only in six-party negotiations–where, experience showed, Pyongyang would stand alone against five opponents. To be sure, some of the other four parties differed with Washington on important details. South Korea and China publicly and privately told the Americans that they were being too inflexible with the North; Japan, although siding somewhat more with the United States, in June 2005 ruled out any possibility of UN sanctions against the DPRK; and neither South Korea nor China joined the U.S. Proliferation Security Initiative. When, later in 2005, the United States became more flexible and showed a stronger willingness to deal with Pyongyang, a more united front emerged among the five.

The atmosphere was not helped by new U.S. allegations, later proved untrue, that North Korea may have sold partly processed nuclear fuel to Libya and perhaps to other buyers on the black market, and that DPRK workers in May were preparing a site for an underground nuclear test. The credibility gap opened by the Bush team's disinformation campaign regarding Saddam Hussein's WMD programs left the world dubious about anything the White House might say about anything. Here was another instance where Washington had dissipated its soft power capacity to persuade others to trust and follow U.S. lead. An impression of moral equivalence resulted–an impression that the words of Washington were no more reliable than those of its adversaries.

"ATTACK DIPLOMACY"

DPRK intentions were the more difficult to interpret because, while the official Korean Central News Agency (KCNA) often underscored Pyongyang's desire for peaceful coexistence and friendship with the United States, audiences within the hermit kingdom learned that the North's "attack diplomacy" was forcing U.S. and other foreign adversaries to their knees. School textbooks, wall posters, and literary works showed stammering American and international officials trying to placate the relentless "warriors" of the DPRK Foreign Ministry. The novel Barrel of a Gun ends with recognition by a U.S. negotiator that North Korea is "a mighty superpower." The North agrees to let Americans inspect a cave for nuclear facilities provided they agree to provide 700,000 tons of food as atonement for their "strangulatory" blockade of the North. Posters assure North Koreans that DPRK bombs can reach not only Seoul but also Washington (Myers 2005).

The diverse tacks taken by the KCNA and domestic media in the North resemble the apparent contradiction between the Soviet Foreign Commissariat's campaign for disarmament and the revolutionary line taken by the Comintern in the 1920s and early 1930s. On occasion somebody in Moscow would explain how: Soviet disarmament diplomacy revealed the impossibility of negotiated disarmament by capitalist regimes and thus the need for revolution. But if Western governments had agreed to cut their arms (then far superior to Soviet weapons), the Kremlin would probably have been willing to go along.

By May 2005 even the Korean Central News Agency had denounced the U.S. president and his entourage in terms that made "axis of evil" sound like a complement. The KCNA said the U.S. president was "the world's worst fascist dictator, a top-notch war maniac and Hitler junior waving hands stained with blood shed by innocent people." It declared that the whole "brutish Bush bellicose group" is a "bunch of hardened thugs losing their grip on the ability to think normally and not the kind of people we should deal with in the first place." When the KCNA talked this way, Pyongyang seemed to be putting more nails in the coffin of six-party talks.

"There's a siege mentality" in Pyongyang, said Michael

Harrold, author of the book Comrades and Strangers about his seven years editing speeches for Kim Il-sung. "They're still on a war footing and one of the great unifiers is the constant threat from America." DPRK commentaries are filled with "burning hatred" for "imperialist aggressors." Because the term "U.S. imperialists" was used so often, the DPRK coined a special word—*"mi-je,"* a contraction of "*miguk* [American]" and "jegukjuija [imperialist]." If DPRK propaganda did not find new ways to denounce foreign foes, said Harrold, "the outside world might think they're softening their positions." (Fifeld 2005).

CAN CULTURAL AND OTHER OBSTACLES BE SURMOUNTED?

The balance sheet is complicated. Yes, Americans can be rightly pictured as comparatively low context and Koreans as high context in their approach to negotiations. But Koreans (both South and North) as well as Americans can be polite and friendly if they wish—or the opposite. Whereas bad vibes can kill a prospective accord, good vibes can help to reach and maintain one. Nevertheless, a cordial atmosphere is surely not sufficient for a deal. On balance, cultural differences probably played a supporting but not a decisive role in the U.S.-DPRK conflicts that erupted after Bush entered the White House.

Culture and historical experience become mingled with facts and perceived facts about military realities. Whether or not the DPRK had joined the nuclear club, military analysts worried about perceptions and chain reactions. In Japan, for example, military commanders were authorized to shoot down incoming missiles without consulting civilian authorities. While this might seem a reasonable precaution, Chinese officials worried that this marked another step toward revived Japanese militarism. On the diplomatic front, North Korea's neighbors in 2005 stepped up pressures on and inducements to Pyongyang to return to the six-party negotiations.

The venue for future negotiations was one of two procedural issues that impeded negotiations in 2005. Could the problems best be resolved in a two-party forum, as North Korea demanded, or six-party, as required by the United States, or in a three-party setting, as suggested by some South Koreans? A case could be made for each approach. South Korea's Prime Minister in 2003-2004 noted that the ROK could be the first victim of a DPRK nuclear attack, and could not countenance a nuclear-armed North Korea, while, on the other hand, the ROK could do the most for the North if a détente and arms control materialized (Goh Kun 2005). A compromise had already been tried by conducting two-party talks within the six-party framework, but this approach had not managed to overcome other problems.

Whatever the roles of realism and high context factors in Korean diplomacy, the ROK government in 2005 stepped up its "sunshine policy" on the assumption that a growing web of interdependence would overcome the North's diffidence and distrust. Critics warned that Seoul was being suckered by the Communist North. But ROK political and business elites continued to do what they could to foster family exchange, promote tourism, and build new industries just over the North-South divide. Seoul claimed that its offer in July 2005 to double the North's electric supply is what brought the DPRK back to more rounds of six-party talks in Beijing. Americans thought their consistent firmness did the trick; South Koreans claimed it was their flexibility. Perhaps both played a part, like a tough and soft cop; but it was equally possible that Pyongyang was just milking the differences between two of its potential antagonists.

As six-party talks continued in late 2005, the issue of sequencing remains

Which side(s) should take the first step? Former ROK prime minister Goh Kun (2005) called for a U.S. security guarantee to the North "concurrent" with DPRK denuclearization. But while the guarantee could be offered in an instant, denuclearization could take months if not years to complete, and probably require periodic if not permanent verification by international inspectors. A reasonable system of sequencing had been worked out in the earlier Agreed Framework, but each side appeared to drag its feet in ways that defeated the logic of sequencing. And while Washington preferred to contemplate a six-party guarantee to the North, Pyongyang focused on getting assurances from the United States.

Washington labored in 2005 to bring Japan and others into its efforts to stop not only DPRK exports of missiles and nuclear materials, but also to halt its trafficking in narcotics and counterfeit dollars (Sanger 2005). Tokyo took the big step in March 2005 of closing its waters to foreign ships lacking liability insurance against spills and other accidents. Since almost no North Korean vessels carried such insurance, the new requirement could halt most shipping traffic between the two countries. Seoul and Beijing, however, were loath to take part in any actions that would further isolate the North.

By its fifth year in office, the Bush team could claim it had been firm as well as flexible in dealing with a rogue state. It had eschewed what it depicted as the arms control mirage created by the 1994 Agreed Framework. Even as the Bush team exposed what it said was the evil duplicity of the DPRK government, the White House also managed to display a sober caution. Instead of rattling its missiles, the Bush administration had insisted on multilateral talks to deal with a problem that concerned all of North and East Asia. So long as no deal was reached with Pyongyang, . , however, Washington could stick to its rationale for going ahead with a National Missile Defence (NMD) program. An added boon was that, since North Korea looked ominous, Japan would also chip in and take part in missile defense.

But the track record since 2000 offered cold comfort for anyone worried about U.S., Northeast Asian, or global security. Failure to derail North Korea's nuclear ambitions promised not only continued high tension between Pyongyang and Washington, but also mounting pressures on Japan, South Korea, and Taiwan to go nuclear. This chain reaction, sooner or later, would alarm and energize China and then Russia, galvanizing India and then Pakistan to greater nuclear efforts.

There was still a chance that, having wasted more than four years, the United States and North Korea could move toward a mutual gain solution in Bush's second term. Signs emerged in summer and autumn 2005 that the top decision makers in Washington were taking a new look at North Korea and may have wanted to reach an accord with Pyongyang, even if this meant departing from earlier principles or preferences. The administration seemed to give lead U.S. negotiator Christopher Hill some leeway to conduct give-and-take negotiations, unlike the hapless Assistant Secretary of State James Kelly, usually under strict orders about what he could or could not say. Kelly's demeanor suggested that serious negotiations were not on the agenda—leading to an incident in late 2003 when DPRK diplomats stopped him in a hallway in an effort to launch a dialogue.

Would the up-and-down cycle of hope and hostility ever cease? If so, when and how? Washington and Pyongyang could revive their earlier pledges of no hostile intent, but go further by buttressing them with security guarantees from Japan, China, and Russia. Like Libya and South Africa, North Korea could freeze and then terminate its nuclear and other WMD programs, subject to IAEA inspection—in return for immediate and long-term energy assistance. Instead of leading a hostile encirclement of this hermit kingdom, the United States could reduce trade barriers and promote technology transfer to North Korea. Americans, if they wished, could pocket \$100 or \$200 billion on a missile defense program that, despite its cost, would probably prove a chimera. Both Koreas could benefit from a neutralization accord something like the 1955 deal that facilitated the withdrawal of foreign troops from Austria (Harrison 2002; Clemens 2003).

To reach a deal, however, each side would have to forgo its demand that the other side act first. Zero-sum sequencing would have to stop. Instead, security and disarmament would have to advance in tandem or nearly in tandem as one side reciprocated the other's initiatives. Progress along these lines would be complicated but would not require rocket-science diplomacy. Dependence between the DPRK and USA is asymmetric but each party is vulnerable in many ways to the other. Common recognition of each side's needs could guide negotiations toward an accord oriented to mutual gain. Half a century earlier, a strategy that created values for each side helped America convert erstwhile foes Germany and Japan into dependable partners. A similar strategy, premised on reciprocity and appropriate safeguards, could work in North East Asia. Indeed, the Korean case is just one of many in the web of today's mutual vulnerabilities in which "actors are more likely to enhance their objectives if they can frame and implement value-creating strategies aimed at mutual gain than if they pursue value-claiming policies aimed at one sided gain." An instrumental approach geared to "exploitation may yield short-term benefits for one side but tends to boomerang in the long run, so that costs outweigh benefits (Clemens 2004: 41)."

South Korea's former prime minister (Goh Kun 2005) offered some advice to both Washington and Pyongyang. Drawing on wisdom of the East, he reminded Americans that "you need empathy to resolve a dispute." Then, quoting John F. Kennedy, he advised Pyongyang "do not fear to negotiate."

Mired in habits of mutual hostility and bombast, Washington and Pyongyang seemed by 2005 to be stuck on a treadmill of mutual abuse. Instead of dwelling on past positions and principles, each government might better ask whether any deal could be negotiated that met each side's deep interests. Let us venture a thought experiment in which the two main parties accepted "negotiation by proxy or, alternatively, hired a professional mediatior with no political ax to grind. The role of a proxy (Singer 1965) would differ in important ways from that of a mediator (Raiffa 1985), but each would begin by talking in private with each side to learn its basic objectives and what price it might pay to promote them. The outsider would probably find that both sides wish to avoid war; that the Americans demand elimination of DPRK nuclear weapons and programs, while the North Korean leaders wish to save their regime and state from foreign subversion or attack. If so, the third-party would probably outline security guarantees the Americans and others could offer, along with a package of economic and technological assistance to boost North Korea's economic and social well being. The ousider's solution would have to include guarantees and assistance sufficient to induce Pyongyang to renounce its nuclear option. The plan would also have to identify a verification mechanism that satisfied U.S. concerns about DPRK compliance while also meeting DPRK anxiety about foreign intrusion. This would be a difficult but do-able task.[3] To overcome domestic resistance, the third-party might need to speak publicly about the benefits of the proposed deal. He or she could point out that a security guarantee to Pyongyang would add little or nothing to existing U.S. military outlays. And if the aid package ran to $5 billion (or even $25 billion), then that would be a low price to pay to forestall a nuclear arms race in East Asia. The aid package could also be seen as a way to save $100 billion in outlays for an ABM defense system unlikely to neuter even a minor nuclear power. The third-party could surely persuade other concerned actors – South Korea, Japan, China, Russia, and others – to contribute to a

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[3] The Gorbachev and Reagan governments worked out an elaborate system of verification for the 1987 treaty requiring each side to destroy all its intermediate-range missiles. It permitted permanent on-site inspection of some facilities and conferred the right to challenge inspections elsewhere.

security and aid package that satisfied DPRK requirements. He or she could ask for permission to explain on DPRK television how the package would benefit North Korea. If permission were denied, the mediator could still hand to the DPRK leadership solid reasons for altering its stance on nuclear juche (Clemens 2005).

If well crafted, the third-party's proposed solution would appeal to each side's rationality—its enlightened self-interest. Since such proud governments are unlikely to solicit the wisdom of outsiders, however, we must hope that the administrations of George W. Bush and Kim Jong Il, sooner rather than later, will invite reason to moderate and regulate their confrontation. Each comes from a very different culture, but their confrontation arises less from a clash of cultures than from a perceived clash of interests. The cultures and personalities of each side are no more different and opposed than those which Richard M. Nixon and Mao Zedong reconciled in the early 1970s.

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SECURITY COOPERATION IN EUROPE AND PACIFIC ASIA: A COMPARATIVE ANALYSIS

HANNS W. MAULL
University of Trier

ABSTRACT

This paper compares the regional security "architectures" in Europe and Pacific Asia. It argues that the greatest difference between the two consists in a much more substantive role of multilateral elements in Europe, as compared to Pacific Asia. The principal cause for the difference lies in the fact that Europe's security arrangements were driven intrinsically by the objective to prevent wars within (Western) Europe, as well as between East and West in Europe – a motive which largely remains absent in Pacific Asia. This led European countries to re-conceptualise sovereignty in ways which allowed for the development of intrusive, effective forms of multilateralism. In a second analytical step, the paper offers a comparative evaluation of successes and failures of regional institutions and argues that on balance Europe's security architecture has been more effective than Pacific Asia's since the end of the Cold War, making Europe in effect a net exporter of security. The principal reason for this seems to lie in the ability of European multilateralism to build on its "post-modern" re-conceptualisation of sovereignty. By contrast, Pacific Asia

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remains wedded to a modern conception of sovereignty and (with the possible exception of Japan) considers the purpose of multilateralism to be the enhancement of sovereignty. Yet this perspective, which is also shared by the principal outside power in Pacific Asia, the United States, appears to be going against the grain of globalisation, which inter alia requires effective multilateral security co-operation–and hence a willingness to accept limitations on national sovereignty–to contain old and new security risks

Key Words: Multilateralism, Security Cooperation in East Asia and Europe, Sovereignty, Seucrity Architecture

INTRODUCTION

During the Cold War, both Europe and Pacific Asia[1] strategically had been integrated into America's global grand strategy of containing the Soviet Union. This grand strategy turned around three principal objectives: first, to ensure US dominance in international relations; second, to contain and eventually to defeat the Soviet challenge, and, third, to prevent the outbreak of a major war between the two Superpowers which–given the enormously destructive nuclear arsenals of both sides and their ability to retaliate even after a surprise attack–could only be catastrophic. In the European theatre, those twin objectives were pursued primarily through collective defence arrangements (NATO), deterrence and a policy of reducing tensions through de'tente, with the so-called CSCE process (CSCE=Conference for Security and Co-operation in Europe) as its principal institutional expression. In Asia-

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[1] I will use the term "Pacific Asia" throughout to refer to the Western Pacific rim from Siberia in the Northeast to Indonesia in the Southwest; "Asia-Pacific" refers to the whole Pacific rim, and thus includes Australasia and the Americas.

Pacific, the two objectives were also pursued through balance of power and deterrence, though in this case built on bilateral security arrangements, as well as through the strategic rapprochement between America and China since 1972.

The end of the Cold War brought devolution to strategic affairs: European and Asia-Pacific security systems each began to develop more and more according to their own momentum (Buzan/Segal 1994). In Europe, there was a return of warfare, with the bloody wars of disintegration of the former Yugoslavia, from 1991 in Slovenia and Croatia to 1999 in Kosovo. Eventually, those conflicts were pacified through outside military intervention, international peacekeeping and state-building – clearing the way for what from the beginning of the 1990s has been a strong underlying trend towards durable peace in Europe. In Asia-Pacific, the picture was almost the reverse: while rapid economic development helped sustain remarkable strategic stability on the surface (leaving aside internal strive and the bloody secession of East Timor from Indonesia), there remained strong undercurrents of conflict, which powerfully surfaced on the Korean peninsula.

The two regions differ of course, enormously. Europe's security architecture[2] is highly complex and variegated: it involves both security and non-security arrangements in different geographical configurations, with considerable overlap, but also with functional specialisation. Asia-Pacific security

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[2] The term "security architecture" needs to be treated with caution. The analogy is in several respects misleading. First, "security architecture" suggests something static, while security arrangements in reality grow and develop. Actually, security architecture therefore often more resembles landscape architecture or gardening, as its results are a mixture of planned and spontaneous development. Second, security arrangements and the structures of security systems usually are the work of several competing architects, rather than of one master builder. In the case of Europe's security architecture, the dominant role of the United States since 1945 is in that sense probably rather unusual, but makes the analogy somewhat more appropriate. In this essay, the term "security arrangements" will be used interchangeably with the (in my view less appropriate) term "security architecture".

architecture has by comparison been less complex and more traditional (notably with regard to the Great Power strategic triangle involving the Soviet Union, China and the USA). This reflected differences in the sources of conflict, but also differences in historical experience, which in Pacific Asia was marked by the struggles to cope with the impact of Western modernity, colonialism and imperialism.

COMPARING PATTERNS AND INSTITUTIONS OF REGIONAL SECURITY COOPERATION IN EUROPE AND PACIFIC ASIA

In this first chapter, the focus will be on a comparative description of security arrangements in Europe and Pacific Asia along the dimensions of geographic range, functional scope, participation (bi-or multilateral), and the commonality, specificity and effective constraints on autonomy implied by regional security institutions.

Europe's Multidimensional Security Architecture

Europe's security arrangements gradually evolved after World War II. Originally, they were concerned primarily with Germany: it was feared that Germany might once again come to challenge militarily the European order. With the outbreak of the Cold War and its escalation on the Korean peninsula in 1950, the focus shifted towards the collective defence of Western Europe against what was perceived as an expansionist Communist block led by the Soviet Union. In fact, however, concern about the "German problem" was only subdued; it was addressed obliquely through the American strategy of "double containment" (Hanrieder 1989), which firmly placed Germany within a common front to contain the Soviet threat, organised through NATO. By constraining Germany's ability for independent military action through integrating it – economically, politically and militarily – into the transatlantic security system aimed at containing Soviet military expansionism, this strategy brilliantly dealt with both threats simultaneously. As the Cold War broke out in 1946/7, American containment efforts initially focused on the domestic social, economic and political fragility of Western European countries and the post-war assault on pro-Western democratic forces by Communist Parties. To strengthen the resilience of pro-Western European democracies, the United States in 1947 initiated the Marshall Plan as a means to kick-start economic reconstruction and growth throughout Europe. To multiply the effects of its provision of credit, Washington designed the implementation of the Marshall Plan in such a way as to create economic interdependence between Western European economies (van der Wee 1984).

By the mid-1950s, this security system of double containment had by and large solidified and assumed the shape it was to retain until 1990. Yet although America was thus in more than one sense very much "present at the creation" (Dean Acheson) as the dominant post-war power in the European security architecture, the foundations of Europe's post-World War II security arrangements were initially laid in Europe itself. Its nucleus was the Brussels Treaty of 1948, which had grown out of the Franco-British treaty of Dunkirk (1947) directed against possible future revisionist designs by Germany. Yet it took American leadership and its commitment to a permanent military presence on the European continent in 1955, when Europe's own efforts had faltered, to make the new European security architecture viable. It thus became transatlantic, rather than European. The Brussels Treaty of 1948 had already ostensibly shifted the focus of this collective defence arrangement entirely to confront the Soviet threat;[3]

[3] In reality, concern about Germany lingered on, as could be seen from specific restrictions imposed on the FRG's conventional (naval) forces by the new WEU Treaty. The FRG also had to renounce the acquisition of weapons of mass destruction.

when the FRG joined it in 1955 (together with NATO), it became the Western European Union, a collective defence arrangement including the six founding members of the European Community and the UK. However, until 1987 this organisation had little practical relevance for European security; its tasks were explicitly delegated to NATO.

Already in 1950, at the instigation of Jean Monnet, France had launched the Schuman Plan for a European Coal and Steel Community (ECSC). The project came to fruition in 1951. Ostensibly about economics, the ECSC in fact was deeply steeped in security concerns: France feared that West German re-armament would enhance the FRG's political influence and remove controls over West Germany's arms industries (Duchêne 1994). The ECSC was a brilliant proactive move to embrace those industries within an integrated European structure and thus replace existing residual allied controls with those of a supranational High Authority. Also in 1950, prodded by Washington and again at the suggestion of Jean Monnet, France followed this up with the proposal for a European Defence Community (EDC). This was to provide a European framework for integrating (and thus controlling) the newly formed Bundeswehr. The treaty, which was strongly supported by the United States, was signed by all member governments of the ECSC in 1952, but foundered in 1954 in the French National Assembly which refused to ratify the agreement. Eventually, the EDC project was superseded by German membership in NATO and the Western European Union (WEU).

Since the mid-1950s to the end of the Cold War, efforts towards European integration kept away from security, let alone from military issues. The Treaties of Rome established the European Economic Community (EC) and Euratom (which inter alia served to ensure West Germany's non-nuclear status). Since the early 1970s, the EC developed mechanisms and institutions to coordinate foreign policy, which eventually grew into a Common Foreign and Security Policy in the

Maastricht Treaty of 1992 and a Common European Security and Defence Policy in 1999. The principal contribution of the EC to European security lay, however, in its ability to enhance political stability and security through economic growth and prosperity throughout Western Europe.

Given post-World War II geo-strategic realities, the new European security architecture was initially quite fragile in purely military terms, and there were several "near-misses" of direct military hostilities between the two Superpowers, notably around Berlin. As the potential costs of confrontation in Europe escalated with the development of nuclear arsenals on both sides, both came to recognise the need to work for a relaxation of tensions and measures to reduce the risks of confrontation. By 1967, NATO had formalised its twin-track approach along those lines in its Harmel Report, which described NATO's grand strategy as a combination of a robust defence policy to ensure deterrence with a political strategy (détente) to reduce and eventually dissolve tensions between East and West. By 1973, detente had become institutionalised through the Conference for Security Cooperation in Europe (CSCE; in 1995 it was renamed OSCE, with the "O" standing for "Organization"), adding a pan-European dimension of cooperative security policy to European security arrangements. Conventional arms control was pursued in a separate but similarly pan-European framework, the Mutual Balanced Force Reduction (MBFR) negotiations. The CSCE comprised the group of neutral and non-aligned European countries, while MBFR was confined to members of the two military blocks.

The end of the Cold War in 1989 eventually created a completely different international security environment. In this new context, European security architecture changed in three major directions:

- First, the European Union, NATO and the CSCE all tried to "deepen"–that is, to solidify and reinforce their institutional foundations to prepare them for new challenges.

This process was pushed forward most rapidly and most succinctly in the European Communities, which became the European Union through the Treaty revisions of Maastricht. The deepening of European integration took the European Union to successfully introduce a common currency by 1999, but it also was manifest in a series of Treaty revisions and the eventual development of a European constitutional treaty through a complex process of deliberations, negotiations, and national ratifications. In NATO and the CSCE, the tendency towards deepening was much less pronounced but still clearly discernible: thus, NATO decided not only to retain but also to develop its practice of creating integrated military units built from national contingents from several member countries, and the CSCE adopted decision-making mechanisms which, under certain circumstances, could exclude member countries from the requirement of unanimity ("consensus minus one", "consensus minus two").

- The second direction of change was to reinforce existing security arrangements and enhance their resilience through a more multi-functional and multi-purpose security approach. In this context, NATO revised its strategic concept several times. The revisions downgraded and eventually dropped the importance of a "residual" threat from Russia and emphasised new, diffuse security risks; as a consequence, NATO changed from a collective defence arrangement with a clear regional focus into an organisation for worldwide collective peace-enforcement and peace-building missions. In parallel, NATO also assumed a range of new functions in the context of cooperative and comprehensive security.
  The European Union also significantly modified its security arrangements, mostly through shifting from a rather informal and almost exclusively diplomatic coordination of foreign policies in the context of European Political

Cooperation (EPC) (since 1969) to a Common Foreign and Security Policy (CFSP) (formally introduced in the European Treaty revisions of Maastricht in 1992), which gave the new EU some limited collective security functions, the so-called Petersberg Tasks, and started to draw the Western European Union (which had been re-actived since 1987) into the activities of the European Union. In 1999, the EU then formally launched a Common European Security and Defence Policy, which included the development of some European rapid reaction military capabilities (Andréani et al. 2001).

Initially, it was hoped that the CSCE would develop into the principal institution for crisis prevention and crisis management in Europe, but events in the former Yugoslavia and the wars of its dissolution quickly showed that this overstretched the CSCE's capabilities. Since then, the CSCE (re-named Organisation for Security Co-operation in Europe (OSCE) in 1994) has primarily focused on certain types of crisis prevention, notably the early identification and diffusion of intra-societal conflicts with a potential for violence and international spillovers, as well as on the consolidation of democratic transitions.

- Third, NATO, the EU and the CSCE/OSCE have all expanded their membership and – in the case of NATO and the EU - also their cooperation with a wide range of non-members in Western Europe, Eastern Europe, on the territory of the former Soviet Union, and even beyond. Eventually, NATO and the EU also took in new members in several consecutive waves of enlargement. This extension of its architecture to embrace and eventually integrate new zones in Europe and on its periphery represented the third major thrust of change in Europe's security architecture – "widening". Formal membership has been one way to do this, enhanced cooperation below that threshold (but often with a perspective of possible full membership later on), another way. In this latter context, NATO, for example, developed bilateral cooperative ties with a multitude of countries under the umbrella of the Partnership for Peace (PfP) programme. Prospective members and other Eastern European and CIS countries were given a political platform for regular consultations with NATO through the North Atlantic Cooperation Council (NACC), later upgraded into the Euro-Atlantic Partnership Council, and Russia was given special political treatment through the NATO-Russia Council, which in 2002 was upgraded into the NATO-Russia Council at 20. The EU also systematically developed its cooperation with prospective member countries in Europe, with Russia, with the Mediterranean region and the Middle East (the Barcelona process), with Africa (the Cotonou Agreement) and with East Asia. Enlargement of the CSCE essentially was confined to the successor states of the former Soviet Union and of Yugoslavia.

One particularly important aspect in the complex evolution of Europe's security architecture relates to its inherent concept of sovereignty. Normatively, all three pillars of Europe's security architecture implicitly and explicitly challenged the traditional, Westphalian notion of sovereignty: in the context of European integration, states voluntarily transferred part of their authority to common European institutions; in NATO, many member states agreed to deployments of troops in/of other member countries and thus effectively committed themselves in advance to a common defence; and the CSCE process tried to reconcile the normative principles of the modern Westphalian order (sovereignty and territorial integrity) with those of a different, post-modern world (universal human rights and the scrutiny of member states' internal affairs by others).

Pacific Asia's Younger, More Narrowly Focused Security Architecture

Just as in Europe, with the outbreak of the Cold War the Asia-Pacific security architecture quickly became dominated by the United States, and just as in Europe, a central element in the American grand strategy of containment was "double containment" – i.e., the integration of Japan in a closely knit security relationship, which in essence made it impossible for Japan to once again challenge the status quo in Pacific Asia. Initially, the United States tried to remain aloof and conduct this security arrangement from offshore, but again, just as in Europe, circumstances forced America into a permanent military presence in East Asia to underwrite its security commitments to the region. Unlike the situation in Europe, however, the transpacific security architecture was essentially built on bilateral security arrangements with Japan, the Republic of Korea and the Republic of China (Taiwan); multilateral security institutions played a distinctly minor role. Not only was the United States the overwhelmingly dominant military power in Asia-Pacific, it also had a virtually free hand politically as the sole occupation power in Japan. The Manila Pact and the (heavily qualified) collective defence organisation it spawned, the South East Asian Treaty Organisation SEATO effectively was pushed aside by America in the Vietnam War through its direct support for South Vietnam, and American and South Korean plans to put together a North East Asian Treaty Organisation as a collective defence arrangement to contain North Korea and China never came to fruition, as Tokyo did not want to hear of it. Apart from SEATO, collective defence arrangements in the broader Asia-Pacific included the ANZUS Pact, grouping Australia, New Zealand and the United States, and the Five Power Defence Arrangements, which committed Britain, Australia and New Zealand to maintain a modest military presence in Malaysia and Singapore (Yahuda 2004: 68)

All those arrangements have remained marginal, however, to Pacific Asia's security architecture. The most important multilateral arrangement of regional security co-operation in Pacific Asia has been the Association of South East Asian Nations, or ASEAN. Loosely modelled after the European Community, ASEAN was in fact from the very beginning largely about ensuring security–or, more precisely, about preventing war between member states (Leifer 1996: 9ff; Busse 2000: 36ff).

It was only after the Cold War, however, that multilateral institutions acquired a significant role in Asia Pacific. The first such organisation was Asia Pacific Economic Co-operation (APEC), founded in 1989 ostensibly to stimulate economic co-operation across the Pacific rim, but again not without an oblique security agenda (tying down the Great Powers and ensuring their co-operation in efforts to ensure regional stability led from within the region). APEC was upgraded in 1993 to include annual summit meetings of heads of states and governments, which meant that security issues would inevitably be incorporated in the proceedings (Funabashi 1995). Also in 1993, the ASEAN Regional Forum (ARF) was established with a broad membership from across the Pacific but also beyond (thus, the European Union also participated as a member of ARF from the beginning). In 1996, the first Asia Europe Meeting (ASEM) summit took place in Bangkok, and in this context, the Pacific Asian members of ASEM, namely the ASEAN states, China, South Korea and Japan, began to coordinate their policies. This quickly became an institution in its own right, known as ASEAN Plus Three (APT). While the ARF's brief explicitly was to enhance regional security in Pacific Asia and ASEM, at least explicitly, included security issues as part of its agenda, APT ostensibly again focused on community-building (i.e., forging a common identity) and economics, but with security concerns once again noticeable in the background.

Among all the "hotspots" in Pacific Asia, the Korean peninsula has come to be most deeply covered with multilateral security institutions. The outbreak of the Korean War in 1950 led to a UN Security Council Resolution authorizing the use of force to repel the attack by North Korea, and although the war was largely fought by South Korean and American troops, the command was formally held by the UN. The armistice arrangements in 1953 were also negotiated and supervised by the UN. Efforts to create a regional multilateral mechanism to stimulate co-operation in North East Asia and deal with the North-South confrontation on the peninsula never came to fruition beyond informal ("track two") settings until the first nuclear crisis in 1994, when North Korea was caught developing, in breach of its obligations as a member of the Non-Proliferation Treaty, a nuclear weapons programme. This crisis was eventually managed bilaterally between the US and North Korea through the Geneva Framework Agreement of 1994, which among other criteria stipulated the foundation of a multilateral organisation, the Korean Peninsula Energy Development Organisation (KEDO), to compensate North Korea for the abolition of its nuclear power programme through supplies of Western-developed nuclear reactors (which were deemed "safe" from the perspective of fissile weapons material production) and heavy fuel oil. Although KEDO is not, strictly speaking, a regional institution, given that its membership includes the European Union and several EU member states, as well as the US, Japan and others from the Asia-Pacific region excluding China, KEDO's tasks clearly relate to future security and stability on the Korean peninsula. As the implementation of the Geneva Framework Agreement faltered, diplomatic efforts were broadened to include, first, China (the so-called Four Party Talks) and then, after the new escalation of tensions following the detection of a second, separate North Korean effort to develop nuclear weapons in 2002, also Japan and Russia, as well as the two Koreas and the US (the Six-Party Talks). Although the multilateralisation of crisis management on the Korean peninsula so far has not been successful, its logic still seems persuasive (Maull/Harnisch

2002). Indeed, it has been suggested by Francis Fukuyama that the Six-Party-Talks should be turned, by excluding North Korea, into a permanent "concert" of powers to co-ordinate and enhance efforts to ensure peace and stability in North East Asia (Fukuyama 2005).

The development of regionalism in Asia-Pacific also received a boost through the "Asian crisis", which began in July 1997 with the currency crisis of the Thai baht. The crisis quickly spread in South East Asia, and eventually also engulfed South Korea. In this crisis, regional economic institutions were seen to be essentially irrelevant, leading to calls for enhanced regional co-operation. Again, it is not difficult to detect, behind the economic concerns about exchange rates and private capital flows, issues which, given their enormous implications for prosperity and social stability, may properly be considered security issues. Some of the results of efforts to re-launch existing and to build new regional institutions were the Manila Framework, the Chiang Mai initiative to enhance member states' borrowing capacity, and above all the ASEAN Plus Three/East Asian Summit process, which developed its momentum against the background of the Asian crisis and efforts by China and Japan to assist the most affected countries.

Overall, unlike in Europe (which experienced the wars of succession in former Yugoslavia), major hostilities so far have been avoided in Pacific Asia. Yet the foundations of regional peace and security are generally considered rather more fragile than in Europe, and the contribution of bilateral and (de facto) collective defence arrangements to regional peace and security remains somewhat uncertain (Narine 2004). Even in the case of the Korean peninsula, where bilateral and collective defence arrangements clearly are important in underwriting stability through deterrence, elements of instability have been introduced through the abrogation of bilateral security arrangements between North Korea and the Soviet Union and the growing alienation between North Korea and

China, and the fragility of the North Korean economy and polity.

This brief comparative description of regional security architectures in Europe and Asia-Pacific leads to the following conclusions:

- First, regional institutions in Asia-Pacific are younger, less developed and less formal, and there is also less functional and geographic overlap between them;
- Second, central to the genesis of regional security institutions in Europe were two motives: to end the history of great power wars in Europe and to contain the perceived expansionism of the Soviet block. In Pacific Asia, key objectives were to ensure national independence, notably from the old colonial but also from the new Great Powers, to prevent outside interference, and to enhance nation-building and economic development. Some countries (notably the Republic of Korea, Taiwan, and Japan) were also concerned about a "communist threat" from the PRCh and/or the Soviet Union and their local allies. Others had joined with China and/or the Soviet Union, while a third group tried to remain "non-aligned". This meant that there was no common security denominator for the region as a whole;
- Third, while regionalism in Asia-Pacific was built on traditional Westphalian notions of sovereignty, notably the inadmissibility of interference in other countries' domestic affairs, and regional institutions were in fact seen by many of its promoters as sovereignty-enhancing, regional institutions in Europe from the beginning relied on qualifying traditional Westphalian conceptions of sovereignty. This, in the view of the founders of European integration, was the best, perhaps the only way to overcome the propensity towards war within the region, and
- Fourth, this consensus on Westphalian sovereignty as the

basis for national and regional security policy in Asia-Pacific included all major powers, with the exception of the Soviet Union and, in very different ways, Japan. But the Soviet Union was unable to impose its notion of limited sovereignty on China, and Japan, which initially was forced, and then chose to abstain from an autonomous security and defence policy and instead relied on the United States for protection, was too weak, too much tainted by its history, and probably also too ambivalent herself to push regional security cooperation beyond the threshold of traditional sovereignty considerations (Hughes 2001; Maull 2003).

FUNCTIONS OF REGIONAL SECURITY COOPERATION

Regional security co-operation can contribute to regional security, stability and prosperity in a number of different ways, which may be described as different security policy functions. It can help deter an attack or defend against one if deterrence fails; it can help prevent war and promote peace and international order; and it can assist in protecting its protagonists against non-military security threats. Collective defence and collective security promote their objectives through the threat or even the use of force. Co-operative security assumes that all parties in principle want to avoid recourse to force, but will not exclude its possible use by others, and therefore actively prepare for war. This can create security dilemmas, unintended escalation, and ultimately war by accident, rather than by design. To defuse such risks, co-operative security policies try to eliminate factors conducive to accidental escalation and to enhance transparency and mutual trust. The construction of a security community aims at making the use of force obsolete as a means to settle political differences among members of the community, while comprehensive security policies focus on sources of insecurity other than the intentional use of force by other states.

Collective Defence

Alliances are the most traditional form of security co-operation between states. They serve to defend the members of the alliance or promote their shared interests vis-à-vis a common adversary. In Europe, ultimately it was NATO which ensured the security of its European members against the perceived threat from the Soviet Union. The WEU, whose treaty formally also contains a strongly worded mutual defence commitment by member states, remained dormant well into the 1980s; since it was revived in 1987, its purpose has remained ambivalent: while France saw it as a possible European alternative to NATO, for most other member states the WEU was seen as a framework for European security and defence cooperation within NATO as NATO's "European pillar". During the 1990s, the WEU moved closer to the European Union and then was effectively absorbed within its European Security and Defence Policy. The EU still has not formally assumed, however, the function of defending its member states collectively (this basically is still left to NATO) but has confined itself to collective security and crisis management functions. At present, it is difficult to see any major conventional threat to collective European security. NATO has tried to adjust to this situation not so much by moving out of collective defence as by developing new, functionally different missions of cooperative and collective security.

In Pacific Asia, collective defence effectively has played no role. Collective defence arrangements in South East Asia and Australasia have been dissolved, or they are weak and/or marginal for regional stability and security. While the United States at times was drawn to the notion of collective defence as a means to reduce its own exposure and security policy burden, its efforts to promote collective defence met with considerable resistance in the region, notably in the form of Japanese reluctance to be drawn into such commitments which the political establishment deemed unconstitutional. The principal reason for lack of collective defence in Pacific Asia, however, was distrust among the potential candidates and fear of entanglement with US policies.

Collective Security

According to the UN Charter, the only institution which can provide collective security is the United Nations, and specifically the Security Council. According to Chapter VIII of the UN Charter, regional organisations can, however, assume this function if authorized by the Security Council. In Europe, collective security came into play only after the Cold War ended. Again, the most important institution in this context has been NATO. The EU initially tried to pre-empt NATO on the Balkans but failed in its efforts to contain violence; it has, however, remained involved in efforts to provide collective security during and after the wars of dissolution of the former Yugoslavia. Thus, European troops assumed a large share of the burden of the UN-sponsored humanitarian intervention by UNPROFOR in Bosnia and suffered both considerable casualties (e.g., France, with almost 100 soldiers killed in missions of UNPROFOR) and major policy debacles (e.g., the Netherlands' disastrous failure to avert the massacre of Srebrenica). In the end, it was NATO under US leadership which intervened successfully to end the fighting in Bosnia and impose a political settlement on the parties. This settlement, negotiated at Dayton air base in 1995, was then implemented largely through institutions belonging to the existing European security architecture, notably NATO (which ensured security on the ground) and the EU (which assumed much of the cost and directed the overall reconstruction effort), as well as through the United Nations. Recently, the European Union has assumed the military leadership in collective stabilisation efforts in Macedonia and Bosnia through its ESDP.

In Pacific Asia, there have been two major collective security missions since the end of the Cold War, in Cambodia and East Timor. Both crises were in fact internal to the states in question, yet in both instances crisis management was conducted under the auspices of the United Nations. It thus had to turn to global, rather than to region-based co-operation arrangements, though in the case of East Timor, Australia acted as the lead nation in the military intervention to end the violence after the vote for independence. Regional security institutions played no significant role in ending the confrontation in the fall of 1999 and helping to build the new state Timor-Leste.

Cooperative Security

The logic of cooperative security reflects an awareness of shared security interests through mutual dependence. In this sense, cooperative security policies were first applied within the European post-war context vis-à-vis West Germany. Convinced that the suppression of Germany was neither possible nor necessary, the United States and Britain (and, after some hesitation, also France) successfully tried to enmesh West Germany in a web of cooperative and integrative security cooperation activities. During the 1960s and 1970s, impulses for cooperative security policies mostly came from Europe itself; within the framework of the CSCE and MBFR, cooperative security policies were developed along the lines of arms control, confidence building, and conflict prevention. After the end of the Cold War, those efforts were expanded and refocused on disarmament, peaceful conflict resolution, and sustainable peace building.

Co-operative security policies have also played a significant role in Pacific Asia, both directly (notably in the context of the ARF) and indirectly (i.e., through co-operative activities which did not deal with security problems directly but were expected to enhance security and stability, such as ASEAN, APEC, APT and, perhaps most obviously, KEDO). Policy activities, which were explicitly conceived as co-operative, have largely been confined to confidence-building and preventive diplomacy; concerns about loss of sovereignty have constrained their scope and reach.

Security Community

As the desire to prevent another intra-European war was a very strong motive from the beginning, the European security architecture since 1945 has been seen by many as a means to contain and eventually abolish war as a social institution through what Karl W. Deutsch has called "security community".[4] In intensifying communications within Western Europe and across the Atlantic, and in articulating a common heritage, common aspirations and shared values for the Euro-Atlantic security community, efforts to construct this community could build on pre-existing foundations. Over time, the norms and values of this community came to be fully internalised by elites and peoples alike: it was no longer imaginable in Western Europe or within NATO that member states would go to war with each other.[5] The principal institutional foundations of the Euro-Atlantic security community (or communities, if we see (Western) Europe as a separate, distinct security community) have been the European

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[4] The locus classicus for the concept of security community, the study by Karl W. Deutsch and his colleagues, was, of course, based on the analysis of the transatlantic security community. Cf. Deutsch (1969a).

[5] Note, however, that this was not the case on NATO's Southern flank: relations between Turkey and Greece have continued to be tense. This again underlines the complexity of European security arrangements: even before 1990, there existed in fact several NATOs within the organisation – the Northern and Southern flanks, and the Euro-Atlantic core area (Kurth 2001).

Communities and NATO.

In Pacific Asia, the only regional institution which might qualify as a security community is ASEAN.[6] Observers differ as to whether, and to what extent ASEAN can be considered a security community, but the majority view remains sceptical – ASEAN is considered a "nascent", rather than an "ascendant", let alone a "mature" security community (cf. Leifer 1996; Acharya 1997; Narine 2004; Hund 2003; Dosch 2003).[7] The US-Japan bilateral relationship might also be considered as a security community. Overall, and despite impressive rhetoric and political efforts towards "community building", the desire in Pacific Asia to abolish war and its preparation as a means to secure vital political objectives in relations with specific other countries has not played any significant role, with the exception of Japan: rather, the focus firmly has been on enhancing national sovereignty, conceived in terms of Westphalian sovereignty.

Comprehensive Security

Security has both military and non-military dimensions. Security against conventional and asymmetrical military threats can be achieved not only through military, but also through non-military policies, just as non-military security requirements sometimes may justify, even require, resort to force. The effectiveness of Europe's security arrangements in maintaining and broadening peace, stability and prosperity in Europe has a lot to do with non-military security policies. Among the latter were policies to promote and accelerate European

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[6] Note, however, that military skirmishes and intrusions between ASEAN member countries have taken place until very recently, e.g. with Thai military incursions into Burma/Myanmar or clashes between Malaysia and Indonesia in the Spratlys (Economist, March 12~18, 2005).

[7] The distinction follows Adler/Barnett 1998. They postulate that security communities develop in three stages, from "nascent" through "ascendant" to "mature" security communities.

reconstruction and development (e.g., the Marshall Plan, European economic integration) and steps to enhance democratic structures and popular support for pro-Western political forces (e.g., American support for pro-democracy (and pro-Western) parties in Europe, the CSCE and EU programmes to strengthen democratic institutions in Central Eastern Europe).

"Comprehensive security" has also been a key concern in Pacific Asia. It implicitly played an important role in American post-World War II policies in the region. In the early 1980s, Japan developed its own version of "comprehensive" security policy, while ASEAN emphasised similar concepts of "national" and, later, also "regional" resilience. Although the meaning of the term differs somewhat from country to country, the core of this concept concerns non-military, often economic threats to security, conceived as human security, socio-economic stability and/or the promotion of prosperity and development. Given the salience of this term in Asia-Pacific security discourses, it has so far again left remarkably few concrete policy traces in regional institutions. Efforts to eliminate barriers to trade and to promote economic co-operation within Pacific Asia and across the Pacific, may be seen as promoting comprehensive security, and such efforts have, of course, played a major role in ASEAN, in APEC and in the APT. The results so far have been rather disappointing, however; by and large the promotion of trade liberalisation institutionally has effectively been anchored in the WTO, rather than in regional multilateral organisations. Again, concern about national sovereignty and mutual suspicions appear to be the principal reasons behind this state of affairs.

Commonality, Specificity, Constraints on Autonomy

In sum, European security arrangements represent an intricate web of mutually reinforcing (but sometimes also competing and mutually impeding) institutions with overlapping but distinct geographical and functional characteristics. They range from rather loosely structured arrangements built on "Asian" values such as consensus, consultations, and informality to highly integrated, formalised and legally binding institutions, and are characterised by a high degree of commonality and specificity of principles, norms, and rules. The European Union has also reached a unique level of intrusiveness and transfer of sovereignty.

European security institutions sometimes serve several of the above policy functions simultaneously, either obliquely or directly. Historically, those arrangements have begun with a focus on comprehensive security and security community policies (including policies to promote and/or strengthen democratically governed social market economies). Those policies alone were not fully responsive to the whole range of perceived security threats, however – to obtain security in the face of possible external aggression, collective defence policies had to be added. Cooperative security policies were introduced in recognition of security interdependence and a minimum of shared interests between the two blocks in Europe. Collective security may be considered as a rather neglected dimension of European security arrangements; basically, policies were confined to participation in the UN system.

European security architecture has evolved considerably over time even during the Cold War period; since then, it has undergone a thorough overhaul designed to shift its focus from European stability and security to extending the geographic scope of the European zone of peace and to exporting security into adjacent and more distant parts of the world. This overhaul is far from complete. Yet with all this diversity over time and space, as well as in terms of functional specification, those arrangements are still built on a few important commonalities. Thus, all European institutions tend towards formal legal and institutional arrangements, and all are built on the assumption of shared democratic convictions, a universal belief in human rights, and on concern about social justice. While in practice this assumption of shared values may at times have been rather courageous, if not completely misleading (as it was, at the time of the Cold War, with regard to the Soviet block in the CSCE, and as it still is today for many of the successor states of the Soviet Union who now are members of the OSCE and NATO's PfP), it has remained the common normative ground on which those security arrangements are built.

This has had enormous long-term consequences, as the logic of democracy, human rights and social justice from the beginning sat uneasily with the core assumptions of the modern state system in which sovereignty (both externally and internally) was the key norm. From its inception, then, the European security architecture contained strong post-modern construction elements, which eventually were to destabilise the Eastern part of the whole edifice: in the context of the CSCE, the Soviet Union and its satellites in fact accepted the right of interference of the CSCE member states in each other's internal affairs. This opened a breach in the Soviet system which eventually undermined it.

By comparison, the security architecture for Pacific Asia during the Cold War contained little commonality. There were two dominant norms underlying regional security arrangements: anti-Communism (or, later, opposition to perceived Soviet expansionism and military pressure) and national sovereignty, national development and non-alignment. Only in South East Asia was it possible, from 1967 onward, to overcome differences between countries and to start regional community-building in the context of ASEAN. In North East Asia, the shared norm of anti-communism was insufficient to overcome mutual suspicions and concerns about national sovereignty. Those tensions also meant that security arrangements remained rather less specific than in Europe: even the dominant bilateral security alliances, such as the one between the US and Japan, were less specific and also less intrusive than NATO, let alone embracing the drive towards European-style integration.

With the end of the Cold War, the security architecture of Pacific Asia began to evolve rapidly, assuming, as we saw above, a significant multilateral dimension. Yet this development, with the possible exception of the US-Japan alliance, was firmly built on a set of norms which emphasised sovereignty in its traditional, Westphalian sense. The US-Japan security relationship, which remained pivotal to the security architecture in Pacific Asia, edged towards a collective defence arrangement by a) widening the scope and the range of the defence co-operation between the two to include contingencies "in areas adjacent to Japan" (i.e., Korea and the Taiwan Straits) and b) shifting Japan's traditional refusal to contemplate any participation in collective defence or collective security activities. This enabled Japan to assume an increasingly important role in UN peacekeeping missions and in support of the US-led war against international terrorism (Hughes 2004).

COPARING SUCCESSES AND FAILURES OF REGIONAL SECURITY COOPERATION SINCE THE COLD WAR

By the time the Cold War ended, Western Europe had become a fully developed security community, and the Cold War for Europe had in effect been a "long peace" (John Lewis Gaddis). Considering the centuries of war preceding that phase, this represented a remarkable achievement: International relations within Europe and in the transatlantic world had been transformed into a "post-modern" mode, leaving the Westphalian order of nation-states behind (Cooper 1996). At the same time, this achievement would have been impossible without massive and sustained support from the United States; in that sense, Europe had been a net importer of security.

By comparison, Pacific Asia had remained firmly embedded in the modern age, although first efforts at regional community-building had been undertaken, and were beginning to show results. Yet even in South East Asia, where those efforts had been persisted longest, observers were still uncertain whether ASEAN deserved to be considered a security community. Overall, the security architecture in Pacific Asia was essentially built on bilateral security arrangements, in which the United States played a pivotal role. It had been less effective than in Europe: the Cold War had turned hot on a major scale twice in Pacific Asia. Like Europe, Pacific Asia had been a major importer of security from the United States.

When the threat from the Soviet Union imploded from 1987 onward, security requirements changed fundamentally both for Europe and for Pacific Asia. How successful have their respective security arrangements been since then? The following section tries to assess the record, again along the lines of different security policy functions.

Unilateral, Bilateral and Collective Defence Arrangements

Since 1990, Europe has seen major hostilities in the Balkans, but it has not faced any major conventional threats to its security and stability. Although it remained within the reach of Russia's weapons of mass destruction (WMD), the principal threat emanating from those arsenals was considered to be that non-state actors could succeed in acquiring such weapons. This risk was underlined by the events of Sept. 11, 2001 and March 11, 2004, which suggested that not only America, but also Europe was exposed to asymmetrical military threats emanating from non-state actors such as al-Qaida. Individual and bilateral self-defence and deterrence efforts remained marginal; the principal military line of deterrence and defence continued to be NATO, that is, collective defence. From 1998, the European Union began to build up its own European Security and Defence Policy (ESDP) institutions and some military capabilities. Though those were not primarily designed for collective defence, the

European Treaties and the EU draft Constitutional Treaty both carried hints about an evolution of ESDP in that direction. Given the absence of plausible conventional threats, neither NATO nor the ESDP have been seriously tested as collective defence arrangements.

In Pacific Asia, the two major conventional threats to peace and security concern the possibility of war on the Korean peninsula between the North and the South, and across the Taiwan Straits between the PRCh and Taiwan. In addition, a number of territorial conflicts, primarily in the South China Sea, remain unresolved, though those are rather unlikely to produce major military hostilities. Behind those immediate issues, there looms the rise of China into the position of a regional and global Great Power, and the question of how China's challenge to the status quo will be accommodated by the United States and Japan, its principal supporters and beneficiaries.

Deterrence and defence in these two principal theatres, as well as overall regional military stability, continue to be provided primarily by bilateral defence arrangements between the United States and South Korea and the United States and Japan. As the Soviet threat to Japan has all but disappeared, US–Japan security and defence cooperation has been reoriented towards the "areas surrounding Japan", that is, Korea and the Taiwan Straits, and the bilateral security relationship has thus increasingly assumed aspects of collective defence. In addition, the bilateral security relationship between the US and Japan also balances the growing power of China and ensures Japanese security against possible future threats from China (see Hughes 2004).

Stability in the Taiwan Straits rests on ambiguous foundations in security policy terms. When the US recognised the PRCh instead of the Republic of China as the sole representative of China, Washington abrogated its bilateral security treaty with Taiwan, but Congress subsequently forced the government to ensure Taiwan's capacity to defend itself adequately through the Taiwan Relations Act. The US government has since largely followed a policy of "calculated ambiguity" about its defence commitments towards Taiwan.[8] While the PRCh clearly pursues a unilateral security policy which tries to develop options of military coercion vis-à-vis Taiwan, it is unclear to what extent Taiwan's security is in fact sustained by an implicit collective defence arrangement involving Taiwan, the US and Japan.

Collective Security

Collective security comprises efforts to re-establish security and stability in contingencies where states externally or internally fail to abide by fundamental norms of international order. After the end of the Cold War, collective security contingencies arose in Europe itself regarding the Balkans, and in Europe's neighbourhood in the Middle East (in the Gulf region in 1990 and, arguably, again since 1998 through the policies of Iraq; and in Afghanistan since 2001) and in various parts of Africa. Within the context of the United Nations, but sometimes also outside (cf. Kosovo intervention), European security institutions played a major role in some of those contingencies, notably in the Balkans. Yet while Europe thus has become an important exporter of security to neighbouring regions, its record on collective security has been spotty: when Europe collectively tried to manage those contingencies (notably on the Balkans) on its own, it often failed and had to turn to the UN and to the United States; in other instances, European states participated individually in coalitions of the willing to assume collective security responsibilities under UN auspices. Sometimes, no serious

[8] President Bush in the first months of his Presidency seemed to stray from this course with his commitment to defend Taiwan "whatever it takes" in the case of an attack by the PRCh, but his Administration has since reverted to a more cautious policy line. See Lieberthal 2004.

action was taken (as in Rwanda, in the Congo, or in Sudan). Overall, NATO probably has been the most effective institution in terms of military intervention to re-establish security, while the European Union has done relatively better in post-conflict rehabilitation.

In the context of collective security contingencies, Pacific Asia has been relying exclusively on the United Nations and/or on outside powers, such as Australia in East Timor. On the Korean peninsula, the UN has been marginally involved, both for historical reasons – the role of the UN in the Korean War and in the armistice regime – and also as the ultimate guarantor of the nuclear non-proliferation regime. Yet in practice the UN has played a very limited role in Korea, principally due to China's reluctance to have North Korea exposed to sanctions authorized by the Security Council. The PRCh also completely rejects any internationalisation of the Taiwan issue. The only form of involvement of Pacific Asia in collective security activities since 1989 thus has come in the shape of individual national contributions to UN peacekeeping or peace enforcement missions.

Cooperative Security Policies for Conflict Prevention and Conflict Resolution

Co-operative security policies have played an important role in Europe in ending the Cold War, but also in preventing new conflicts from arising – in Central Eastern Europe, on the Balkans and in Europe's neighbourhood. Two specific forms of co-operative security policy in Europe have been a) international efforts to rehabilitate and pacify the Balkans through state-building (in Bosnia and Kosovo) and regional co-operation, and b) EU enlargement. The enlargement of the EU into Central Eastern Europe has been an enormously successful effort at conflict prevention and conflict resolution, with significant positive spillover effects into Eastern Europe, as well. Policies towards the Balkans have been less successful:

while they have largely been able to prevent the recurrence of violence (with the notable exception of the riots in Kosovo in the spring of 2004), they have not yet achieved the resolution of ethnic conflicts and the building of sustainable polities. Efforts in adjacent regions (such as the so-called "Barcelona Process" involving the EU and the southern Mediterranean states, or the "European Neighbourhood Policies" towards the Caucasus region) have been less successful still. Institutionally, the EU has completely sidelined the OSCE in this security policy dimension, with NATO assuming important roles in the field of military-to-military co-operation.

The principal frameworks for co-operative security policy in Pacific Asia have been ASEAN, the ASEAN Regional Forum (ARF), the Korean Peninsula Energy Development organisation (KEDO) and the four- and six-party talks on the Korean nuclear issues. Their contribution to conflict prevention and conflict resolution so far has been very limited, as governments have either not really been interested in a co-operative approach to security (as in the case of North Korea) or unwilling to compromise the prerogatives of national sovereignty. Even within ASEAN, the South China Sea territorial conflicts could not yet be resolved, nor even completely defused, although there recently has been progress towards the joint development of energy resources in contested waters (Cabacungan/Ho 2005).

Security Community

The end of the Cold War in Europe showed that the transatlantic community in fact consisted of two distinct security communities – one transatlantic (NATO), one European (the EU). During the East-West confrontation, a common enemy and a shared sense of threat, shared democratic norms and values, very similar political and economic systems which – with a few minor exceptions – could be characterised as market-oriented capitalist democracies, and a high degree of economic compatibility had created auspicious circumstances for the evolution of security communities. Against this background, and driven by the political desire to pacify Europe, a robust transatlantic security community soon materialised. This has endured after the end of the Cold War, but with the demise of the common enemy and growing cultural differences, albeit still within the framework of broadly shared norms and values, the characteristics of integration in the transatlantic community began to diverge increasingly from that of the European community.

Yet both security communities proved that they had become "mature" – they remained robust in the new circumstances after Nov.9, 1989, and Sept.11, 2001. Thus, NATO continued to defuse tensions between Greece and Turkey, and the marked improvement in bilateral relations in recent years undoubtedly reflects their shared membership in NATO. NATO, as well as the European Union, have also demonstrated the powerful effects of their respective security communities in this double NATO-EU enlargement process: even the perspective of membership powerfully affected levels of inter-state tensions in Central Eastern Europe. War among member states of NATO or the EU remains unthinkable – and this now firmly includes the new members in both institutions. The vitality of those two security communities, and particularly of that of Europe (which in fact extends beyond the European Union membership) probably also accounts for much of the effectiveness of collective defence and co-operative security policies in that region. This vitality rests on two key elements: similar domestic political and economic institutions and effective political integration, as expressed in the acquis communautaire of the European Union.

In Pacific Asia, the ascension of ASEAN to a security community has been thrown back by the entry of the so-called CVLM states (Cambodia, Vietnam, Laos and Myanmar/Burma), which has made effective deepening of ASEAN's co-operation extremely difficult. The new member states do not seem to share the commitment to community-building of the founding members (Hund 2003), their political systems are more fragile (Cambodia, Laos, Myanmar), their regimes more authoritarian, less representative and, in the case of Myanmar/Burma, an international pariah. Military tensions and political distrust still exist even among the founding members of ASEAN, let alone ASEAN-10, although there are also clear signs of progress in the direction of a sustainable security community formed by ASEAN-6. On balance, ASEAN as a whole seems to be stuck in the stage of a "nascent" security community (Hund 2003; Narine 2004; for the terminology, cf. Adler/Barnett 1998).

If ASEAN has not been able to function fully as a security community within its own realm, and therefore also failed to "export" security in adjacent regions, the bilateral relationship between the United States and Japan – as a "mature" security community, which eventually also might come to include Korea – probably still represents the most important element of regional peace and stability. The APT, on the other hand, still seems far from forming a robust and sustainable security community: it is still built on very different political arrangements within its member states, it encompasses enormous economic, political and cultural differences, and it is overshadowed by strong historical rivalry and distrust between China and Japan (Webber 2001; Stubbs 2002; Lee 2004).

Comprehensive Security

The principal non-traditional, non-military threats and risks which Europe has had to face since the end of the Cold War concern the possibility of major economic shocks, insecurity of energy supply, transnational terrorism, organised crime, and the more or less pervasive and serious deficiencies of state structures in its neighbourhood, starting with the Balkans. For Pacific Asia, however, natural disasters (the Dec.2004 tsunami destructions), man-made environmental destruction (the haze problem in South East Asia) and disease (SARS, bird flu) need to be added to this list. The development of resilient yet flexible and adaptable state structures also directly concerns many of the Pacific Asian countries which still are struggling with traditional challenges of nation-building.

Overall, Europe has done reasonably well so far to ensure comprehensive security against most non-traditional threats. A key element in this has been the range, scope and scale of economic and political integration, which has helped to smoothly integrate thirteen new members since 1990. Yet even within the European Union, international co-operation often remains weak and ineffective, reflecting member state reluctance to transfer responsibilities and ensure adequate resources and their effective use, and frequently also a lack of common political will. Moreover, the second round of enlargement in 2004 will test the internal cohesion of the EU in the coming years, and may well affect its capacity to act coherently and effectively in its external relations.

In Pacific Asia, "comprehensive security" has long been a key security policy objective, and has received particularly close attention as a political concept. Contrary to Europe, with the "Asian crisis" of 1997/98, and again with SARS and, most recently, the tsunami of 2004, Pacific Asia has been exposed to serious non-traditional security threats since the 1990s. Regional institutions have been largely irrelevant in managing their consequences and in efforts to prevent future challenges to comprehensive security, although those shocks have also given rise to new efforts to deepen regional co-operation both within South East Asia (e.g., the revised "ASEAN Vision 2020" programme set up in 2003) and in Pacific Asia as a whole (e.g., efforts to strengthen regional monetary co-operation through the Miyazawa Plan, the Chiang Mai initiative, and its follow-up).

There are many explanations for the relative deficiency of regional security institutions in Pacific Asia with regard to comprehensive security. The most fundamental problems may well be the deficiencies in state structures and divergent characteristics of its political regimes. Statehood still seems much more fragile in many states in Pacific Asia, both in South East Asia (where Myanmar/Burma represents a "failed regime" and a seriously dysfunctional state, and many others display serious deficiencies) and in North East Asia (where North Korea also is a failed regime and a "Zombie state" (Maull 2003), while in the PRCh, political stability and state effectiveness are seriously in doubt). While there has been some progress in the complex processes of state-building in Pacific Asia during the last one and a half decades (not least through advances of democratisation in several countries), regional institutions have not played a significant role in this context.

CONCLUSION: THE CRUCIAL ROLE OF DIVERGING CONCEPTS OF SOVEREIGNTY

In reviewing the experience of building European regional security institutions from the end of World War II to the present, I have argued that Europe's security arrangements evolved, within little more than ten years after the end of World War II, into a highly complex, functionally differentiated but also quite flexible "architecture". It consisted, and still consists, of a set of institutions, each with different but overlapping membership, different functions and a different logic of operation. After the end of the Cold War, existing security arrangements were significantly deepened, widened and broadened to ensure peace, security and stability in an entirely new security context. The five core functions of security policy - collective defence, cooperative security, security community, collective security and comprehensive security – remained central, however.

The record of this architecture since 1990 has been far from unblemished: there have been significant shortcomings, the most important of which has probably been Europe's inability to develop a coherent approach towards exporting security in adjacent regions and globally. As a result, Europe still has to rely on the United States for leadership and critical resources. Yet by comparison with Pacific Asia, Europe has not only been in a more favourable situation, it also seems to have done significantly better. Security has been ensured comprehensively within Europe, and the geographical scope of this security community has been expanded. There have also been important contributions to security beyond this European security community, notably in Eastern and South Eastern Europe, including Turkey, but also in Africa (Giegerich/Wallace 2004). In Pacific Asia, by comparison, regional security architecture on the surface has evolved even more rapidly, with particularly important additions of multilateral elements, notably in Korea. Yet security problems in Pacific Asia seem much more serious than those in Europe. Moreover, the record also shows that the new, multilateral regional institutions played next to no role in managing crises and reducing risks, while the traditional bilateral security arrangements, which continue to bear the brunt of ensuring peace and stability in Pacific Asia, appear increasingly inadequate to deal with the security challenges of the 21st century.

The difference in performance, and hence the relevance of the European security experience to Pacific Asia, seems best explained by Europe's capacity to strengthen and diversify patterns of governance above the national level. This, in turn, has been made possible by re-defining - or, in the parlance of constructivism – "socially reconstructing" the concept of sovereignty (Mattli 2000). Two steps have been crucial in that context: first, the distinction between formal and substantive sovereignty, and second, the unbundling of sovereignty into specific aspects and dimensions. This reconstruction of sovereignty coincided with (and promoted) the shift in European international relations from the modern, Westphalian world of nation-states towards a post-modern, globalised world of multiple actors and complex structures of governance (Cooper 1996).

This achievement importantly rests on the domestic political foundations of democracy and the welfare state, which has provided social cohesion and political legitimacy for supranational politics. But just as this re-interpretation and political reconfiguration of sovereignty was facilitated by mature democratic structures of government at the national level, it has also enabled Europe to promote political change and innovation domestically (e.g., through support of processes of transition and transformation in the former "Second World"), regionally (e.g., through deepening and widening European security institutions) and internationally (e.g., through the promotion of new international institutions such as the International Criminal Court).

Pacific Asia by and large has been rather less successful in re-constructing sovereignty and developing its structures of governance. What seems clear is that it will have to find ways to address deficiencies in governance at all levels, and that this will have to involve a social reconstruction of the concept of sovereignty. Efforts to construct new collective identities, which have been under way for some time, may not be able to support the development of appropriate structures of governance if the issue of sovereignty is not tackled head-on.

Yet Pacific Asia probably has no choice, for the reality of international relations today seems firmly post-modern. This is true not only for economic relations, but just as much – and with much more worrying implications - for security issues (one only needs to think of transnational terrorism, the spread of weapons of mass destruction, or the risk of pandemics) and politics (cf. global trends towards democratisation and market economics). This implies that "modern" attitudes and practices of security co-operation need to give way to "post-modern" attitudes and practices - a change which even in Europe is far from complete: "modern" notions of sovereignty still play important political roles even among the core member states of the EU, and they still represent major obstacles in developing European internal and external security co-operation.

Ultimately, the conception and the role of sovereignty in politics both at home and internationally seem to reflect regime characteristics. The concept of sovereignty, with its close association with (modern) nationalism, obviously has important implications for both social cohesion and political legitimacy. Yet the existence of authoritarian regimes, which cannot rely on representation and participation to bolster legitimacy, incomplete achievements in nation-building (i.e. in the development of "modern" statehood), and – last but not least – export-led development strategies guided by the state (the "developmental state" model), all encourage insistence on non-interference, that is, on a distinctly "modern" conception of sovereignty. That such an approach will not be sustainable into the future is demonstrated by the example of Japan, which was forced to change track and therefore today in some ways represents the "post-modern" odd man out in a decidedly "modern" Pacific Asia. The rest of Pacific Asia can be expected to follow suit – in one way or another.

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THE ROLE OF APEC IN EAST ASIAN REGIONAL INTEGRATION-A EUROPEAN PERSPECTIVE

WERNER PASCHA
University of Duisburg-Essen

ABSTRACT

Two grand issues about APEC's future are treated in this paper : What decision-making mechanisms should APEC use, and what functions should APEC concentrate on? Among important boundary conditions, APEC's character as a transregional mechanism, its size of membership, heterogeneity, and lack of a common political agenda are discussed, while similarities and differences with European integration are noted. It is concluded that APEC should concentrate on trade and investment facilitation, regulation, and industrial cooperation. By doing so, it can continue to rely on consensus-based decision-making and employ sub-APEC level voluntary clubs of members. To make such mechanisms effective, the role of regional monitoring mechanisms, peer review, variable geometry and governance experimentalism are emphasized.

Key Words : APEC, regional integration, regional cooperation, East Asia, Europe

THE ISSUES AND HOW TO APPROACH THEM

Currently, many observers are sceptical about the prospects of APEC. There are two major questions with respect to the future role APEC can play :

- One concerns decision-making styles. Should APEC switch to binding agreements, or stay with its consensus-based approach? This is related to the question whether it should be satisfied with the status of a dialogue forum or seek regional cooperation and integration.
- The second is about functions. Should APEC concentrate on trade liberalisation, or should it develop its trade facilitation, non-trade, and possibly even non-economic agenda, further?

The functional issue mentioned above may need some further elaboration. One can distinguish several levels of integration. Of course, they will overlap to some extent and one could be even more specific:

- Level Ⅰ: Trade liberalisation; mainly concerned with tariffs
- Level Ⅱa: Trade facilitation, i.e. lowering the transaction costs of trade
- Level Ⅱb: Investment liberalisation and facilitation
- Level Ⅲ: Other economic issues, including regulatory reform
- Level Ⅳ: Socio-economic issues, including equity
- Level Ⅴ: Political and security issues

To some extent, these levels are linked to the traditional stages of integration: Level Ⅰ, possibly including Ⅱa, relates to FTAs and Customs Unions. Common Markets cover levels I to Ⅲ, and Economic Union even extends to Ⅳ, or Ⅴ, if Political Union is also included. However, joint work on regulative reform or industrial cooperation (Level Ⅲ) does not necessarily mean that an FTA or Customs Union has already been established or is a necessary goal.

One view, more or less implicitly held by many liberal economists (e.g., Langhammer 1999), is that as a regional integration scheme, APEC necessarily has to strive for conventional trade liberalisation (Level Ⅰ), possibly including aspects of Ⅱ. However, it is by no means clear that APEC can in the future make its biggest contribution in this arena, despite the fact that in the 90s, this was indeed a major field of APEC activities.

Keeping this in mind, several aspects about the future of APEC shall be discussed:

- Its character as an interregional and/or regional scheme
- "Optimal" membership in an integration area
- The role of a political agenda
- The role of regional monitoring mechanisms
- Consensual decision making–a second look
- "Openness" of regional configuration, functions and methods

In selecting these aspects, recent developments and issues in the EU have been taken as a point of departure and as reference cases. While there are major differences between the EU and APEC, the European Union has recently become more heterogeneous with 25 members, with some others possibly still to come. Thus, strategic issues facing Europe and APEC have become somewhat more similar.

APEC IN THE CONTINUUM OF INTERREGIONAL AND REGIONAL SCHEMES

APEC is sometimes loosely understood as a regional integration scheme and thus invites comparisons along the axis of traditional stages of regional integration. By stressing the role of the 1994 Bogor Declaration, this connection is further substantiated.

In substance, however, APEC is rather an interregional scheme, connecting the Western side of the Pacific with its Eastern shores. Among interregional schemes, one can distinguish bilateral group-to-group relations and transregional fora that contain a more diffuse membership from two clusters of countries usually understood as regions. Based on this explanation, APEC is clearly a transregional scheme, while the EU, for instance, is not.

What are the functions of such interregional schemes[1], as a layer between the global or multilateral level (WTO, etc.) on the one hand and regional schemes (like ASEAN) or even subregional schemes (like the Greater Mekong Region) and bilateral relations on the other hand? The membership of transregional schemes is usually somewhat diffuse, and so are its functions[2]. From a realist perspective, transregional schemes of two collaborating regions can serve a common cause against a third. Typically, such coalitions can be conceived between the triad regions, and APEC would thus be an arrangement between East Asia and North America against Europe. From the point of view of the so-called "liberal" variant of international relations schools, transregional schemes can make pro-active contributions to prepare, develop, promote and test global level mechanisms ("multilateral utility", see Dent 2003), or to achieve downward complementarities within the region.

From this perspective, APEC has done remarkably well. The 1993 Meeting introducing the Leaders' Summit can be interpreted as a successful realist plot to warn the EU of any unilateralist Fortress-type ambitions and helped to bring the WTO Uruguay Round to a successful close. From a liberal

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1 See Ruland 2002, pp.42~47 on the following distinctions.

2 I have elsewhere (Pascha 2000) dealt more systematically with the question of which criteria to use when deciding (normative analysis) or interpreting (positive analysis) the distribution of functions at the regional, multilateral or other levels.

viewpoint, APEC was successful in co-opting the three Chinese economies into the sphere of interstate relations, finally culminating in China's accession to the WTO.

This success is even more impressive if compared to the two other major axes of transregional relations, the ASEM process between Europe and East Asia, and the New Transatlantic Agenda between North America and Europe. ASEM is still moving ahead, but at a somewhat slow pace. It is of dubious importance for the vital foreign policy interests of participating nations and has been founded as a counterweight against APEC in order to deepen Euro-Asian relations. The Transatlantic Agenda, signed in 1995 between the US and the EU, has not been very prominent and lost further importance after September 11, when US interest shifted to the Middle East (see Burwell 2004).

While the Transatlantic Agenda and ASEM also hope to make some contribution to world trade, it is obvious that the trade and investment agenda (Levels Ⅰ and Ⅱ) has been a much more powerful force in the transregional scheme joining Pacific Asia and (North) America, namely APEC.

There are two major reasons. One is that APEC has been hesitant and has even emphatically declined a political role, particularly in its early years. One of the reasons for this attitude was concern about how to handle China. Moreover, ASEAN was hesitant about possible Japanese and/or US domination of the cooperation scheme, so to downgrade it to a purely economic, market-enhancing mechanism made it easier for ASEAN to join it as part of its economic development agenda, not interfering with the more ambitious political integration vision based on ASEAN proper.

The second and even more important reason why APEC became so much associated with its economic liberalisation agenda was that for lack of other appropriate schemes it became the default regional integration scheme of East Asia-at least for some time. Many other attempts to set up regional integration in Pacific Asia had failed before, and APEC became the first to survive long enough to have attention focussed on it. It was an intergovernmental scheme, as opposed to earlier PBEC and similar fora, and it gained support-or at least approval-of both Northeast and Southeast Asia where earlier attempts had failed[3], quite ably handled by Australian, Japanese and Korean movers. The US became an important participant, as earlier bilateral (post-war) integration of the region had mainly focussed on links with the US and a new regional scheme could hardly avoid including it. Later, when Malaysia tried to push ahead with the idea of an East Asian Economic Group or Caucus, it became obvious how difficult it was to establish a mechanism without the support of the USA.

After the success of Seattle (1993), APEC was the natural choice for the Bogor liberalisation agenda (1994). Alas, it is somewhat ironical that this move towards a trade integration scheme was due to the political dynamics. Aiming at non-discriminatory liberalisation lowered some barriers for making this objective politically feasible, but it is questionable why half the world should make fast progress with such concerted unilateralism, while the third major triad force, Europe, is allowed to profit from the outcome without having to offer reciprocal access.

During the 1990s, APEC became overloaded with various functions. It served as the default Level Ⅰ/Ⅱ mechanism for a regional integration scheme; it served higher-level dialogue for the region-and for the interregional context including Oceania and North America. In Europe, by contrast, the early years of post-war integration up to the early 1960s[4] were a period marked by a helpful differentiation of function, dialogue functions and inter-government cooperation taken over by the

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3 Ravenhill 2002: 232 argues that East and Southeast Asian nations had gradually opened their economies during the 1980s, so the time was ripe for a new attempt.

4 See, for instance, Bulmer 2001 for a helpful survey.

Organisation for European Economic Cooperation (OEEC), later to be turned into the Organisation for Economic Cooperation and Development (OECD, founded in 1961). For regional economic integration in a more limited sense, the European Coal and Steel Community (ECSC) was established in 1951, later accompanied and merged by the European Economic Community of the 1957 Treaty of Rome.

In East Asia, there was no other organisation with as clear an agenda and with similar successes as ECSC. Therefore, in a way APEC tried to become a combined OEEC plus ECSC - if not for steel and coal-, and it is not surprising that such a double-agenda was extremely challenging, and later led to considerable disappointment.

Why did Pacific Asia not form its own regional scheme at an early stage? One reason is the well-described economic heterogeneity of the region, which made any agreement difficult and which also raised the prospect of considerable trade diversion. A second reason is that the US was clearly opposed to any scheme in which it would be left out. (In Europe's post-war history, by contrast, the US did not have to be concerned about any Western European economic grouping, because the looming danger of the Soviet empire made sure that West Europeans followed a pro-American track).

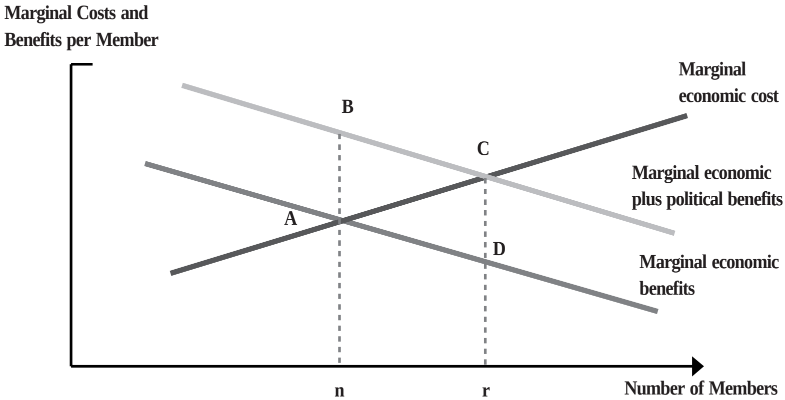
In a way, something happened in Europe during the 1950s that may now be repeating itself in Pacific Asia: OEEC, alias OECD, and the EEC went different ways, and now regional schemes like ASEAN+3 are taking over specific regional integration agendas, while APEC is not the default mechanism of choice for such schemes any more.

APEC AS AN OPTIMAL INTEGRATION AREA?

We should look more closely into the question whether the size of APEC is adequate for the tasks it has been set. Can one derive any meaningful inferences on whether APEC can reach the Bogor goals? The conventional economic approach recommends looking at the number of countries involved, their development level, the similarity of industrial and trade structures, and trade as well as investment interdependence.

We will concentrate on the number of countries and take this issue up first. For an increasing number of "club" members, one can draw the usual (upward sloping) marginal cost and (downward sloping) marginal benefit curves[5]. Figure 1 depicts marginal costs AC and marginal benefits AD. (We will discuss BC later). Somewhere, both lines cross each other (at A), and n is the optimal club size. The more members there are, the more the cost of reaching a consensus will increase, and the less yet another new member can contribute. Of course, there can be some contrarian forces. More members raise the chances for trade creation as compared to market diversion in a conventional integration framework, and many members raise the probability of developing market power, but the basic relationship still holds.

< Figure 1> Optimal size of an integration scheme



5 See, for instance, Roy Gardner (2001:83) who does just that.

Seen from this perspective, the EU, whose early decades are usually reputed to be a success story, was lucky to start with a small number of six members, for whom positive net economic benefits could rather easily be achieved. For APEC, the situation was more difficult, with 12 founding members in 1989, and several others to join soon. If it is thus probable that APEC has moved beyond n, than why has it moved there? The reason is that there are additional political benefits associated with an increase of membership. In the conceptual framework of Figure 1, the marginal benefits, if politics is included, shift to the right from AD to BC[6]. From the APEC members' point of view, more members mean more chances for dialogue and growing economic interaction. From this perspective, there are increasing political economies of scale associated with APEC. With respect to Figure 1, BC might rather be redrawn flatter, implying that the difference between AD and BC grows with an increasing number of members. Put differently, APEC has properties of a typical network good.

There is a second reason why APEC members have associated larger membership with political benefits. Many members were concerned about a dominating role of the USA and/or of Japan in the new grouping. By raising the number of members, smaller members could make sure that the relative weight of the two largest founding members declined.

While Figure 1 focuses on the perception of existing members, it is interesting that also for candidate countries there is an incentive to pursue entrance beyond a "simple" appraisal of costs and benefits. Even if they preferred a world without (inter-) regional schemes, they have an incentive to try to enter an existing one, and the bigger the existing scheme is, the more they will try to get into it as well. First, they will fear to become isolated if they do not join the bandwagon,

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[6] For simplicity, we assume that at least in the relevant part of the graph additional political benefits are constant, so BC is parallel to AD.

second, they have good reasons to assume that they can profit by more than their "fair" economic share from doing so, because the existing members will allow them in for political and not for economic reasons anyway. With this kind of reasoning, one can understand why even a number of rather remote Latin American states during the latter 1990s became interested in joining APEC. This "balloon effect" became so strong that even APEC at some stage declared a moratorium on new members. With respect to Figure 1, APEC had moved towards r and there was a clear risk that even combined marginal economic and political benefits would fall short of the marginal economic benefits that encompassed huge transaction costs typical of large membership groups.

Has APEC overreached itself? Indeed it seems to have. If one accepts AC and BC as relevant[7], optimal size shifts to r with r>n. In this case, the community suffers a net economic loss of D-C, but it will nevertheless move there because of the perceived political benefits available to the members.

THE STRUCTURE OF MEMBERSHIP AND ITS CONSEQUENCES

So far, we have treated countries as homogenous. Let us now turn to other factors that have an impact on the "optimality" of an integration area, namely the development level of members, the similarity of industrial and trade structures, and trade as well as investment interdependence.

Many quantitative aspects have been studied before, and

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[7] Actually, there may also be an impact on the marginal cost curve if we include political factors: With many existing members and rather small new entrants, the actual level of the benefit and cost curves is indeed intransparent. In that case, politicians will not be sanctioned by the voters if they miss the "true" but unknown optimal size, so political costs for them are low, and AC shifts downwards, moving r even further right.

they are quite well known. It may be helpful to compare APEC with Europe in order to grasp APEC's properties even clearer (e.g., Sakakibara/Yamakawa, Park 2002). A few stylised facts will be enough, here:

- Heterogeneity in terms of GDP/head or industrial structure is significantly higher in APEC than in EU15, although it has remarkably increased in EU25.
- Intraregional trade in APEC is remarkable, accounting for more than 2/3 of total trade, but to some extent this is a statistical artefact because of the enormous size of APEC. If sub-regions are distinguished, intraregional trade is lower, and the EU15's value of more than 60% looks more impressive. In this sense, the EU is more inward-looking, APEC more outward-looking, aiming at the world market (Barrell/Choy 2003).
- Direct investment is also more inward-, market-focused in Europe, whereas it is factor-driven in many parts of East Asia (ibid.).
- Political objectives, styles and systems are much more diverse in APEC.

Taking a sober-minded view, it is difficult to see structural properties which would make APEC a suitable regional integration scheme with respect to Level I or II issues, including traditional forms of regional integration. Due to heterogeneity, there is a considerable probability of conventional trade diversion effects (Langhammer 1999). APEC's high degree of world market integration would suggest that the potential gains from regional integration are relatively smaller than from multilateral schemes. Asymmetric shocks are quite likely, given the heterogeneity. The Asian or IMF Crisis has shown that such danger is indeed imminent, and that APEC could do little to overcome such a crisis, given its limited means and divergent interests.

From this list, it seems clear that APEC was indeed only a default mechanism for conventional regional integration. Only under very peculiar historical circumstances could it play a positive role in the trade area, like during the critical years of 1993/94, when APEC helped to overcome the Uruguay round stalemate.

THE ROLE OF A POLITICAL AGENDA

While the former arguments have been related to the economic structure, one should also consider political factors. In the European case, a common outlook, and the determination to overcome the war legacy are factors frequently thought to have supported the regional integration process. There are several arguments why the "glue" of a common political agenda would be helpful.

From a collective action perspective, it allows political benefits that raise the break-even-point for integration costs that one would be willing to bear. Even a costly integration scheme, with high set-up costs or risky benefit expectations, can thus be realized.

Second, and with an evolutionary path-perspective in mind, if a common political agenda makes regional integration a "goal in itself", early successes of regional integration are easily realised. Whatever the tangible outcome in terms of economic welfare creation, regional integration will be considered a "success story". This will shape the cognitive schemes of actors in policy-making-including voters or citizens-both as patterns in how they perceive reality and as reinforced priorities among goals (see Slembeck 1994). In this sense, success breeds success, or putting it another way, integration breeds further integration. In the European context, the idea of a united Europe, finally surpassing the legacy of war, has moved both the actors as well as the voters to overcome even severe obstacles. Such path dependence of integration is implied when European politicians sometimes argue that the European integration process is like riding a bicycle: as long as you move ahead, you will not tumble and fall.

Third, the centripetal force of a common political agenda will keep the centrifugal force of avoiding restrictive commitments at bay. One can rephrase this issue in terms of the well-known distinction between the liberal/integrationist and the realist school of international relations. For the liberal school, relations among states serve common interests in the sense of club goods; for the realist school, states see each other as egoistic competitors and act accordingly. Both schools have a point, and it depends on historical conditions which force is more decisive. As for regional integration, if an egoistic state expects its neighbour to hold a compatible common political agenda, it will be more willing to join in a cooperative effort.

Fourth and finally, a common political agenda sets a robust context for policy execution, immunising it from wavering political priorities as influenced by elections, and changes of government, etc. This means that even long-term projects can be pursued in the integration scheme. In the European context, the political conviction that Central and Eastern Europe should be an integral part of the "European House" allowed the EU to pursue a determined, strategic approach to an accession process, commencing in Maastricht (1991) and climaxing in the accession round of 2004.

How do these arguments relate to APEC? It is generally known that APEC lacks a clear common political agenda. Member countries are very diverse in this respect as well (e.g. Ravenhill 2002). This fact has considerable repercussions. Collective action problems are difficult to overcome. There is no dynamic process leading to further steps of integration. In the sober words of the realist school of international relations (Chan 2001), the asymmetric distribution of assets and power in East Asia will make them hesitant to commit themselves in tight contractual agreements, which are usually much more binding for the weaker side. Also from a historical perspective, inter-state treaties in the Pacific region have often been experienced as instruments for establishing vertical relations between imperialist powers and latecomers, like the famous unequal trade treaties forced upon Asian economies in the 19th century. A lack of trust in such instruments therefore supported a framework of consensus-building in shaping regional integration.

While it may be tempting, from the viewpoint of the conventional economics of trade integration, to demand from APEC that it turn itself into a treaty scheme based on binding commitments, such a course is highly unlikely. It does not fit the evolutionary path of APEC and, what is more important, it doesn't fit the asymmetric power relationships with different national political agendas.

What can be achieved without a common agenda, based on consensual agreements? The different levels at which it is possible for APEC to operate shall be reviewed in this respect. At least since the middle of the '90s, there has been an uneasy relationship between the trade related and non-trade related goals of APEC (for instance, see Aggarwal/Lin 2001). Level Ⅰ issues of trade were, since 1994, complemented by TILF (Trade and Investment Liberalisation and Facilitation), and thus Level Ⅱ was reached. In 1996, Economic and Technical Co-operation (Ecotech) was created, and has been operated through a sub-committee since 1998. APEC also took over human capital development and environmental projects, but also infrastructure efforts, thus operating on Level Ⅲ. Themes have also spread to administrative capacity-building, gender projects, and the 2001 Enhancing Human Security initiative, thus reaching Level Ⅳ. After 9-11, the following APEC Summit also took up the terrorist threat and thus at least touched upon political ties, i.e. Level Ⅴ. The Santiago Commitments to fight corruption and ensure transparency also cover delicate topics on the borderlines of Level Ⅲ to Ⅴ. Informally, in its dialogue function, APEC has also made a political impact, for instance in the Indonesia-East Timor case.

The relationship is uneasy, because clear priorities have not been set. For instance, Ecotech cooperation has frequently been considered a second pillar of APEC, but it is less developed, intransparent and depends on the ad-hoc dynamism of interested parties. APEC seems to suffer from unclear priorities. Consensus orientation should not mean that any party is at liberty to add the APEC brand name to its "pet projects".[8]

Conventional Level Ⅰ trade issues are indeed difficult without binding commitments, and one can pose the question of whether sticking to the literal fulfilment of specified Bogor Objectives can really be APEC's dominant *raison d'etre*. At the other extreme, political Level Ⅳ and Ⅴ issues are also difficult to pursue without a convincing common agenda. Agreement on the "smallest common denominator", for instance an abhorrence against global terrorism, cannot be a long-term rationale for an interregional entity-especially, as such a small common denominator could also be applied to other world regions, including Europe, and it is hard to see what special circumstances there are in the fight against terrorism in the Pacific half of the world that would justify treating it within APEC. It should be noted that the sceptical comments made regarding Levels Ⅳ-Ⅴ do not exclude this from happening at the fringe of APEC meetings, where delicate political issues can be tackled and possibly even solved. However, in such cases APEC only serves as a meeting place, and such functions could just as easily be taken over by other conferences or meetings.

APEC can therefore probably make its most significant impact with respect to intermediate Levels Ⅱ and Ⅲ, i. e. trade and investment facilitation, including domestic regulation and industrial cooperation. These are topics, however, that broach delicate national sovereignty issues. In such cases,

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[8] A term reputed to have been used by Ippei Yamazawa when evaluating Ecotech.

APEC's consensus-based decision style is an adequate response, because under realistic circumstances, there is no alternative to voluntary processes in this field. Probably, not all members will join, either because some topics are not relevant for them or because participation is not politically feasible. Sub-APEC level club solutions cannot be avoided. In the remainder of the paper, it shall be asked how such an integration process can be handled more effectively and efficiently than in the past. This is particularly important, because a more professional approach to Levels Ⅱ and Ⅲ will probably make it necessary to raise the profile and size of the APEC Secretariat and thus its in-house capabilities (Aggarwal/Lin 2001:17). This would not only be more costly, but also involve considerable governance problems.[9]

THE ROLE OF REGIONAL MONITORING MECHANISMS (REMMS)

In recent years, regional monitoring mechanisms (ReMMs) have become increasingly important for regional integration (see for instance, Williamson 2003, Pascha 2004). In a Pacific-Asian context, for instance, the role of the IMF and related multilateral organisations during the 1997/98 Crisis has raised many questions about whether Asian economies would do better monitoring each other on a regional basis, in order to pre-empt the necessity for an "outside" multilateral mechanism to step in and possibly follow suboptimal strategies.

The need for ReMMs occurs when:

- countries do not want to give up national sovereignty for certain policy issues, but
- other countries are significantly influenced by externalities

[9] For a sceptical introduction to the governance problems of international organisations from a public choice perspective, see Vaubel 1986.

(contagion).

In such cases, there is a strong incentive for mutual surveillance. Basically, such surveillance could take place at several descending levels: first, at the global level–for instance, in terms of the IMF Article IV consultations; second, it could take place at the regional level, through a non-regional club comprising a number of countries or third, at the bilateral level. Surveillance can be organised through a joint superstate organisation–like the IMF–through formalised cooperation among nations or on an ad-hoc basis.

In what cases would a regional or transregional mechanism be adequate? Ideally, the following conditions should hold:

1. The perimeter of externalities is similar to the group of countries involved in the scheme.
2. The framework for evaluating policy areas (goals, boundary conditions, etc.) is more similar for that group than on other levels.
3. Group members are more willing to supply sensitive information to group members than to others.
4. Group members are more willing to accept advice from group members than from others (peer pressure), either by choice or because of particularly strong reputation effects among group members.
5. Apart from reputation or intrinsic acceptance of peer influence, there are other policy instruments available at the group level for positive or negative sanctions.

The key problems frequently relate to factors 3 and 4. While members of a regional monitoring scheme frequently do have reasons to participate willingly, incentives for collusion and logrolling will also be considerable. In the end, they may reckon that others will not penalize but support them: Because of factor 1, every member would have to face negative externalities if the situation were to get out of hand.

These considerations have considerable implications for APEC. First, members have always been extremely reluctant to give up sovereignty rights to APEC, most famously in the trade arena, but also in the other fields of non-trade cooperation and dialogue. Turning to the conditions of sensible ReMM implementation, though, there seem to be several problems looming. As for the range of externalities (1.), the transregional character often goes beyond perceivable relationships, or indeed covers the whole globe. Regional mechanisms would often seem more appropriate. In the financial sphere, it thus seems natural that despite the early failure to set up an Asian Monetary Fund, this idea keeps reappearing in various forms (ASEAN financial surveillance following the Manila Group Framework Agreement, ASEAN+3, New Miyazawa Initiative, Chiang Mai Agreement, Asian Bond Market Agreement, etc.).

A common position on goals and/or comparable conditions (2.) is also difficult to fathom. The heterogeneity of views, developmental levels, etc. has always been a hallmark of APEC. Issues 3 and 4, informing peers and accepting peer pressure, are the most delicate ones. The transregional character of APEC with its power asymmetries, historically based tensions and scrambles for regional influence (US, China, Japan) makes it difficult to see, why members would be willing to share sensitive information at this level. As many Asian members are concerned about US influence, for instance, one wonders why they should prefer an APEC ReMM framework to the multilateral level with its US leverage.

It has been argued that it is difficult in APEC to avoid peer pressure. While no member can be forced to participate in APEC projects, Huang (2002 : 12) thinks that an "opt-out member has to defend not only its reputation but also its membership in APEC". Whether reputation is harmed by not actively participating in offered choices is dubious, though, and from a political point of view-let alone compatibility with formal rules-I also doubt that such passiveness can ever lead to a loss of membership. This already relates to condition 5 comprising other incentive mechanisms: APEC can offer rather little in this respect-in comparison to the EU-because APEC has few common resources to bestow-or to withdraw.

APEC has indeed already used ReMMs. The most prominent example is the peer review process used to guide the Individual Action Plans (IAPs), following their establishment in Osaka 1995. It seems worthwhile to explore the functioning of this mechanism more systematically, as it seems a key for any 21st century integration scheme that cannot rely on binding agreements only.

DECISION-MAKING: BINDING RULES VS. CONSENSUS AND CONCERTED UNILATERALISM

It is sometimes said that the EU and APEC represent almost opposite poles of the possibility space for decision-making regimes. While the EU has the reputation of possessing the most densely woven fabric of mutual contractual obligations-the famous acquis communautaire contains more than 100,000 pages-APEC has stressed its consensus approach and the concept of concerted unilateralism.

A closer look, however, shows that the differences are less clear-cut. In APEC, there is some peer pressure through reputation effects, as noted above, and for the EU, reality is also more complex than the rulebooks suggest. Pork-barrelling and drawn-out compromises, for which Brussels is so famous or notorious, imply that strict and simple rules are frequently not accepted as the final word on a matter. The reason is that alliances among nations are usually rather unstable, so if a member insists on a tough decision rule in one instance, he may end up being punished for this by the losers in another, forthcoming decision.

APEC faces a similar situation. With its many, heterogeneous members, stable majorities can hardly be expected. Even if APEC were to shift towards more binding commitments, it is questionable whether members would often find it opportune to insist on strict decision-making following the rulebook. This holds true particularly when there are policy arenas close to delicate sovereignty issues. In such cases, countries will not easily give up sovereignty and budge to majority rules, but insist on consensus-style policy processes.

This reasoning indeed sheds a somewhat more benign light on APEC's concerted unilateralism (see also Huang 2002:14-18). The conventional view is to encourage APEC to use more contractual, binding agreements. At least in the field of non-trade policies, it is unlikely for countries to give up sovereignty in sensitive areas soon. In order to make any progress in terms of benchmarking and improving administrative processes in those fields, consensus-oriented schemes seem to be the only viable ones.

A NEW MEANING OF "OPENNESS": VARIABLE GEOMETRY AND EXPERIMENTS WITH MECHANISMS

Both with respect to ReMMs and binding commitments we have found that there is no simple rule for the mechanism of choice in complex institutions such as APEC, operating on all Levels from I to V. In such cases, one might tend to move towards an organised openness[10]:

i.e. not to seek ultimate solutions, but to organise a process in which new, possibly more adequate ideas are systematically tried out.

Two approaches may be helpful:

1. "variable geometry", as it is called in the EU, i.e. forming subregions that treat Level I to V issues differently.
2. "democratic experimentalism", i.e. organising controlled

[10] I am aware that while the APEC phrase "open regionalism" always had several dimensions, the context discussed here is yet another one.

experiments to look for better policy mechanisms.

Subregions in terms of variable geometry (Gardner 2001, pp.91~93) are not the same as the subregional groups in terms of trade agreements (FTAs) that became a topic for APEC after Bogor. Within the EU, such subregions are not Level I-oriented, because in this respect the EU is a homogenous unit. Rather, they refer to higher-level issues. With membership having grown to 15 and later to 25, it has become virtually impossible to treat all countries the same. The most famous case of variable geometry is the EMU, as not all countries of the EU are members. Within the ECB for instance, there is some kind of double structure for EU and for EMU issues. In former years, politicians were very hesitant to accept variable geometry, because it was considered dangerous for the sustainability of the "Union". More recently, however, it has more often been accepted as unavoidable with 25+heterogeneous members.

The EU has also become more permissive with respect to experimenting with new decision mechanisms. The so-called Open Method of Coordination is frequently not considered a fixed scheme, but open to change through the sharing of national experiences (Bauer/Kn?ll 2003:38). A theoretical case for such an approach has been advanced by democratic experimentalism (e.g., Sabel 2001), which argues that to legitimise public policy in the age of an intransparent global economy, inflexible administrative procedures are not always adequate. This theory-based thinking cannot be considered an official EU stance, but it can implicitly be traced in various European initiatives.

Both approaches have gained prominence because the EU has moved to a situation of EU25+ and is thus more comparable to a heterogeneous, transregional APEC. Both schemes might well be worth a closer look. Of course, subregionalism cannot be reduced to ad-hoc working groups in the loose framework of Ecotech, and experimentalism is more than just trial-and-error. To engage in such activities, APEC clearly needs more capacity in its Secretariat.

SUMMARY AND CONCLUSIONS

These days, the future of APEC is frequently questioned. To look for answers, two grand issues regarding APEC have been identified: What decision-making mechanisms should APEC use-should it continue to rely on consensus? And second: What function should APEC concentrate on-should it (continue to) be trade liberalisation?

APEC is a transregional mechanism, and as such has done well in the 1990s. For some time, it became the default regional integration mode for East Asia as well, but in the future, barring some fundamental change in the present structure of APEC, better-shaped regional groupings like ASEAN+3 may be more adequate for many functions.[11]

APEC seems to have fallen into the politico-economic trap of becoming larger than warranted by a sober-minded calculation of marginal economic costs and benefits. In this context, heterogeneity is a major problem for APEC.

It is also frequently perceived that APEC lacks a common political agenda and is thus limited with respect to the depth and width of its activities. While there is truth in this, references to a common vision usually also enable detached politicians and bureaucrats to follow their own agenda and incapacitate the economic subjects to some extent.

APEC might still consider defining its priorities more clearly, particularly as they apply to trade and investment facilitation, industrial cooperation[12] and peer-accompanied domestic regulatory reform, where it should be able to achieve more.

Regional monitoring mechanisms have become more

[11] Consider Seliger 2004, for example.
[12] I have much sympathy for Soesastro 2005 on this point.

important in today's world, though the functionality of peer review is tricky. APEC should study how to make peer pressure more effective and discuss the ensuing problems in a transparent manner.

Another issue in large groupings is variable geometry, as it is called in the EU, i. e. introducing subgroups for specific topics. APEC has already established subregional groups for various policy issues, for instance for Ecotech. There could be more scope for well-defined variable geometry within APEC as an alternative to a bewildering multitude of groups, organisations and conferences formally unrelated to each other.

Moreover, just as experimenting with decision mechanisms has become an issue in OECD economies, so too might this be a sensible approach for the contemporary world of heterogeneous entities like APEC. However, more capacity-building at the Secretariat level would be necessary to make this more than a stochastic process of trial-and-error.

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APEC'S ROLE IN PEACE AND SECURITY ON THE KOREAN PENINSULA

SEONG-RYOUL CHO
Research Institute for International Affairs

ABSTRACT

APEC was first established with the purpose of promoting TILF (Trade and Investment Liberalization and Facilitation) and ECOTECH (Economic and Technical Cooperation) between countries. However, APEC has included security issues in its discussions for the first time since the September 11 Terrorist Attacks in 2001. What differentiates APEC though from other communities regarding security is APEC's focus on human security rather than on the more traditional issue of national security.

Although APEC does not deal directly with national security issues as such, its efforts to prevent terrorism and the proliferation of WMDs, to enhance health security and disaster response capabilities and preparedness are crucial in ensuring the free movement of trade in this region. Accordingly, the contribution that APEC makes towards maintaining the peace and stability of the Asia-Pacific region is directly related to Korea's own prosperity and security.

It is essential that South Korea proposes human security issues related to the Korean Peninsula through APEC, and asks for cooperation from other countries in the region. North Korea is currently not a member of APEC, but giving approval for

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North Korea joining as a member will stabilize trade in the area and will contribute to opening the gates to the North Korean economy. North Korea's participation in APEC will help solve the current energy crisis, and enhance North Korean human security through multilateral cooperation on health and disaster relief policies.

Key Words: APEC, National Security, Human Security, North Korea

INTRODUCTION

The APEC Economic Leaders' Meeting will be taking place under the theme, "Toward One Community: Meet the Challenge, Make the Change" in Busan, from November 15 to 19, 2005. Korea was officially appointed the host nation on January 1, 2005, and since then has been preparing for the forthcoming event and conducting meetings connected with the sub-themes of "APEC 2005," which are scheduled to be: 'Advancing Freer Trade', 'Fighting Corruption', 'Sharing Prosperity of the Knowledge-based Economy', 'Human Security', 'Small-Medium Enterprises and Micro-enterprises and Gender Integration', 'APEC Reform', 'Promoting Cross-cultural Communication'. (APEC 2005)

Human Security will be the main issue at the 2005 Busan APEC. APEC has not discussed security issues since its inauguration in 1989. However, APEC has included security issues in its discussions for the first time since the September 11 Terrorist Attacks in 2001. But what differentiates APEC from other communities regarding the issue of security is APEC's focus on human security rather than the traditional issue of national security. APEC's human security issues revolve around sensitive areas related to sovereignty and other concerns that we must face, while avoiding overlapping areas or other regional organizations.

But at this APEC Economic Leaders' Meeting, we must channel attention toward whether APEC will be able to play a key role in helping resolve the North Korean nuclear weapons issue. As finding a peaceful solution to this situation is critical, APEC's future approach to this subject will depend on the September 19 Joint Statement adopted at the 4th six-party talks. The Busan APEC may serve as an opportunity to consider peaceful resolutions for North Korea's nuclear crisis.

Along with traditional military security issues, various matters concerning human security have been the focus of attention in international politics recently. In this regard, the Korean government pursues reconciliation and cooperation over military confrontation between the two Koreas. Accordingly, it will be possible to propose an agenda on human security issues in the Asia-Pacific region and work toward multilateral cooperation within the APEC framework.

This paper will firstly discuss the characteristics of threats in the 21st century and the security roles of regional communities and organizations. Next, it will review the progress of APEC's discussions on security issues and then consider four of its projects on human security. Lastly, the text will speculate on APEC's possible roles and contributions towards ensuring the Korean peninsula's peace and security.

NEW INTERNATIONAL THREATS AND THE ROLE OF REGIONAL COMMUNITIES IN SECURITY

New Threats of the 21st century

The 20th century was scarred with countless wars; one may even call the 20th century 'the century of wars.' Including the two World Wars, civil wars, local and limited wars erupted everywhere. In the chaos of these wars, the "Balance of Fear" created by the United States and the USSR's possession of nuclear weapons was even regarded as a necessary condition of peace to prevent an outbreak of a new World War. Nevertheless, wars erupted in every part of the world including the Korean War, the Vietnam War, and the War in Afghanistan.

Today, the Cold War between the East and the West has ended and the possibility of a nuclear war and a large-scale war using weapons of mass destruction (WMDs) has indeed diminished; however, the condition of worldwide security has become incomparably complicated. Despite the end of the Cold War, the possibility of war between states has not completely dissipated, and new threats are posing a serious danger to the international community. Especially since the 9.11 Terrorist Attack in 2001 (hereafter referred to as "9/11"), the reality of security issues lies along a threat continuum between the odds of a traditional war between countries and a war declared by a non-state body.

First of all, traditional threatening factors between countries still exist. Until the end of the 1980s, the Cold War evolved around the US-USSR struggle for global hegemony. However, since the collapse of the Soviet Union during the post-Cold War period of the 90s, Russia's military capability has declined significantly, thereby reducing the possibility of a war triggered by conflicting US-Russian interests. (DiFilippo 2002, 121) However, in East Asia, there are two countries in possession of nuclear weapons (Russia and China) and a country that has not given up the development of nuclear weapons (North Korea). Especially, North Korea's development and deployment of WMDs are menacing the surrounding countries including South Korea, and Japan.

The possibility of military conflict between nations therefore still exists today, due to the increase of Chinese and Japanese military spending and conflicts involving sovereignty claims over territory and disagreements over the demarcation of EEZs (Exclusive Economic Zones). There are also lingering possibilities of instability on the Korean Peninsula, precipitated by either further deterioration in the North Korean nuclear situation or the potential collapse of the North Korean regime itself, or rising tension in the Taiwan Strait leading to a China-Taiwan military clash. Any of these factors would have a destabilizing influence on the peace and security situation as it affects the East Asian countries, while a potential large-scale war in this area is not only likely to threaten relations between East Asian countries but is also likely to have widescale ramifications for the rest of the world as well.

Secondly, one may regard the civil wars, ethnic conflicts, and unstable government structures that have appeared since the end of the Cold War as threats to international security. The shock of 9/11 also awakened the world to a new era in the nature and scale of threats confronting it in the 21st century. Countries in the midst of civil war or ones that are politically unstable also run the risk of being subject to terrorist attacks, which may cut off land and maritime transportation routes, negatively affecting regional and world trade.

The time has past when nations by themselves could be the only source of threats; for the sake of security, we must now face threats from non-national groups, such as terrorists or international terror alliances. In the turbulent global security environment of the early 21st century, a whole new range of issues have been included in the list of subjects in the security arena, including: protecting against territorial invasion by armed ships; preventing the infiltration of groups of terrorists or foreign spies; managing large scale disasters; ensuring the safety and security of citizens abroad; safeguarding access to major energy resources; and providing emergency supplies of food to countries in need.

Approaches to the Security Role of Regional Communities

The National Security Approach

The concepts of a nation and its security have developed interrelatedly. The Treaty of Westfalen, or "Westphalia"

(1648), which is known as the starting point of the modern state structure (the so-called "system of nation-states"), clearly illustrates the relationship between a nation and its security.

National security is defined as guaranteeing the security, dignity, and political and cultural rights of citizens by conserving territory and sovereignty; and, removing national and international factors that allow violation upon or termination of these rights. National security is, therefore, security for the nation' s citizens. During the Cold War, however, the concept of national security leaned more toward a response to external threats at the military level, because the definition of a threat during the Cold War meant a military attack. Consequently, the concept of national security in the Cold War period was identical to that of military security. (Kim 2001, 14~15)

However, security measures taken by each country to meet their specific needs have the danger of giving rise to conflicting national interests. In this case, each country may be secure from one another, but this may lead to instability at the regional and nternational levels. Above all, in the case of increasing military forces in order to ensure national security, it becomes inevitable for neighboring countries to compete by following suit, hich will eventually lead to a so-called 'Security Dilemma.' Such pursuit of national security based on power is often prone to end in disaster, as it creates an atmosphere of competition and distrust, where each country in the region feels threatened by the other.

Consequently, regional organizations have been working on resolving this 'Security Dilemma' (Lee 2004). The 'North-East Asia Cooperation Dialogue' (NEACD) and the 'Council for Security Cooperation in the Asia-Pacific' (CSCAP) are non-governmental organizations (NGOs) that provide platforms for multilateral security dialogue between North-East Asian and Pan-Asian countries. These organizations are taking baby steps toward building a communications-based method as a way to regulate traditional military spending.?

At the governmental level, the 'ASEAN Regional Forum'

(ARF) is working on a 3-step project involving confidence-building measures, preventive diplomacy, and conflicts prevention. The 'Treaty of Amity and Cooperation' (TAC), which involves nations not included in ASEAN, is also contributing to these efforts toward ensuring peace and stability in the region: efforts that are based on the traditional concept of national security.

The Human Security Approach

The fall of the USSR, which had a nuclear deterrence capability equal to that of the US, showed that the goal of national security couldn't be reached solely by military force. During the period following the Cold War, it became apparent that national security required a comprehensive overview of social and non-military factors such as economic power, natural resources, and political factors. Consequently, the concept of 'comprehensive security', which includes military and non-military domains, was created.

But criticism of the definition of national security produced another term: 'human security,' which included the concept of non-military security. The term 'human security' has been used since the United Nation's "Report on Human Development" in 1994. This document states that from an individual's point of view, an individual is a part of humanity before he is a citizen of a state. In other words, to an individual human being, the security of food, employment, and the environment may be more meaningful than the security of territory by military force. (UNDP 1994, 2)

During the past 50 years, many third-world countries have failed to resolve problems of overpopulation, famine, natural disasters, unstable economies, and internal and external conflicts etc. Moreover, most of the conflicts during the post-Cold War era have become civil wars, rather than wars between countries, which have often led to acts of genocide against civilians and refugees. These phenomena lead to the conclusion that national security alone cannot guarantee individual security and welfare. Accordingly, the idea that a nation's security must be based on the security of an individual surfaced, resulting in the concept of human security as a collective response to a multidimensional threat-laden environment, emerged onto the international arena.

The human security concept is now more popularly accepted even in the field of international relations that had until fairly recently overemphasized the importance of national security. The concept has been spreading and developing internationally since the early 1990's, supported by fundamental changes in the security environment including: the end of the Cold War and the struggle for global hegemony between the U.S. and the USSR; the collapse of the USSR and its ideology to leave an isolated and militarily weakened Russia; weakening sovereignty due to rapid globalization; the decline of meta-discourses; and the revival of individualism have accelerated the necessity for a fresh approach to the concept of security.

However, based on criticism that the broad definition of 'human security' actually lacks conceptual clarity and utility, there have been efforts to clarify the concept by adopting realistic policies and elevating 'human security' to the level of national security through multilateral organizations. The Asia-Pacific Economic Cooperation Forum (APEC) is one such organization. APEC announced through the 2003 Leaders' Declaration in Bangkok, that the organization will enhance human security in the region. The Leaders' Declaration consists of specific policies to realize its vision of enhancing human security in the region.

APEC'S DEBATE ON SECURITY AND COOPERATION INITIATIVES ON HUMAN SECURITY

Progress in APEC's Debate on Security

APEC was first established with the purpose of promoting TILF (Trade and Investment Liberalization and Facilitation) and ECOTECH (Economic and Technical Cooperation) between countries. Whether or not APEC should be responsible for the management of security issues had long been a point of dispute among scholars. For a while, the predominant stance was of one colored with skepticism. (Choi 2004, 184-187) However, since 9/11 the course of APEC has been redirected to focus on the management of relevant security issues.

APEC took the first step to discuss security community matters by adopting the Statement on Counter-Terrorism in the 2001 Shanghai APEC Economic Leaders' Meeting held shortly after 9/11 (2001 Leaders' Declaration 2001/10/21). The statement mainly affirmed the counter-terrorism framework of cooperation put forth by the international community including the United Nations. The countermeasures proposed by APEC include measures such as halting the flow of funds to terrorists; enhancing the security of air and maritime transportation; energy security; protecting critical sectors; enhancing customs communication networks; developing electronic movement records systems; and so forth.

At the 2002 Los Cabos Economic Leaders' Meeting, the following measures and initiatives were adopted: the STAR (Secure Trade in the APEC Region) Initiative to implement the 2001 Statement on Counter-Terrorism (2002 Leaders' Declaration 2002/10/27); the Statement on Fighting Terrorism and Promoting Growth, which includes counter-terrorist strategies such as preventing the flow of funds to terrorists; recommending concrete measures for Cyber Security; and devising a collaborative plan for counter-terrorism capacity building. Despite these positive steps taken, APEC did not steer its approach to security issues in a definite direction.

With the October 2003 APEC Economic Leader's Meeting near at hand, the Senior Officials' Meeting (SOM) settled on the establishment of a two-year apparatus, the Counter-Terrorism Task Force (CTTF), to further discuss the matters regarding the APEC Leaders' Statement on Counter-Terrorism, which was adopted consecutively in 2001 and 2002. The CTTF prescribed Human Security as the central element of APEC's role in regional security. Specifications were made in the Statement on Counter-Terrorism to include measures not only for Counter-Terrorism, but also for the enhancement of Health Security and Human Security (2003 Leaders' Declaration, 2003/10/21). The 2003 Leaders' Declaration proposed the following three objectives to pursue these specifications: to dismantle, fully and without delay, transnational terrorist groups; to eliminate the severe and growing dangers posed by the proliferation of WMDs and their means of delivery; and to confront other direct threats to the security of the region.

Furthermore, the statement suggested the following six major recommendations:

Firstly, strengthen joint efforts to curb terrorist threats against mass transportation and confront the threat posed by terrorists' acquisition and use of Man-Portable Air Defense Systems (MANPADS) against international aviation by committing to a series of strict domestic export controls on MANPADS and agreeing to exchange information with other member countries on efforts to regulate the production and sale these systems.

Secondly, implement the APEC Action Plan on SARS (Severe Acute Respiratory Syndrome) and the Health Security Initiative to help APEC prevent and respond to regional health threats, including naturally occurring infectious disease and bio-terrorism.

Thirdly, to increase and better coordinate counter-terrorism activities through APEC' s Counter Terrorism Task Force, and to reinforce collaboration between APEC' s Counter Terrorism Task Force and other relevant international organizations.

Fourthly, establish a regional trade and financial security initiative within the Asian Development Bank, to support projects that enhance port security, combat terrorist finance, and achieve other counter-terrorism objectives

Fifthly, support implementation of the 'Advance Passenger Information' (API) pathfinder initiative and explore development of a regional movement alert system to protect air travelers.

Sixthly, accelerate the implementation of the Energy Security Initiative by endorsing its Implementation Plan and, as appropriate, form a new Action Plan to enhance regional and global energy security.

Thus, the 2003 Leaders' Declaration is considered as clearly defining the vision of the APEC Security Community by responding with appropriate measures to the increase in trade costs caused by terrorist activities, and by placing the enhancement of Human Security as a key priority. However, dissent within member economies on relevant issues such as the non-proliferation of weapons of mass destruction and the restriction of the use of Man-Portable Air Defense Systems (MANPADS) resulted in a failure to devise a concrete implementation action plan.

The 2004 Santiago Leaders' Statement, "One Community, Our Future," while maintaining that human security must be enhanced for the underpinning of economic growth (2004 Leaders' Declaration 04/11/21) to advance compliance with the International Maritime Organization' s new Ship and Port Security Standard through cooperative efforts, proposed the five following objectives: to make financial contributions to the Asian Development Bank' s Regional Trade and Financial Security Initiative; to make progress in launching business mobility initiatives, including the API? Systems; to develop a 'Regional Movement Alert List' System (RMAL) and to cooperate for the issuance of machine readable travel documents by 2008; to make collaborative efforts to reinforce inspection procedures of exported and imported foods, in order to prevent the illegal international trafficking of hidden hazardous or toxic materials; to make efforts to strengthen public health systems in response to posed regional health threats.

Hence, APEC's strategy towards 'Enhancing Human Security' has been materializing at the policy level. In the upcoming 2005 APEC Economic Leader's Meeting, three key priorities have been proposed regarding Human Security, namely Counter-terrorism, Energy Security, and Health and Disaster Response and Preparedness. Except for Health and Disaster Response and Preparedness, these priority areas may be further categorized into four areas of collaborative Human Security: Secure Trade in the APEC Region (STAR) Initiative, APEC Action Plan on Combating the Financing of Terrorism, the Cyber Security Initiative, and the Energy Security Initiative.

Counter Terrorism

Secure Trade in the APEC Region(STAR) Initiative

The regional STAR Initiative creates a win-win strategy that facilitates the expansion of trade while enhancing human security. This initiative, which was included in the 2002 Los Cabos Statement on Fighting Terrorism and Promoting Growth, was launched to strengthen collaborative efforts between relevant member economies in the areas of cargo, maritime, air and traveler security.

Trade security issues emerged as a vital agenda after the 2002 APEC Leaders' Statement on "Fighting Terrorism and Promoting Growth". Since then, the STAR meeting is held regularly every year. The 'Secure Trade in the APEC Region' (STAR) Initiative comprises the following four areas that are in need of enhancement through member economies' collaborative efforts: Cargo Security, Maritime Security, Air Security, and

Traveler Security. The first STAR meeting was held in Bangkok, Thailand (2.23~2.25. 2005) and the second in Vina del Mar, Chile. The third was held in Incheon this year, on two matters—Air Security and Maritime Security—for a span of two days beginning on February 25.(MOFAT 2005)

Firstly, for Cargo Security, the STAR Initiative pledges to enforce the 'Container Security Initiative' (CSI) without delay; implementing Common Standards for Electronic Customs Reporting for the electronic transmission of customs information by year 2005; and adopting reinforced standards concerning supply chain security. CSI, referred to here, is an initiative launched by the United States to enhance security through the reinforcement of inspection and advance interchange of information regarding containerized cargo being shipped to the US. The CSI has also asked that the two parties, i.e. APEC and the US, negotiate an agreement regarding 20 world seaports based on the volume of goods imported from and exported to the United States, as a result of new international maritime standards introduced post 9/11.

Secondly, for Maritime Security, the STAR Initiative pledges to establish a security plan for vessels and aircraft in compliance with the 'International Ship and Port Facility Security' (ISPS) Code by July, 2004; and install an 'Automatic Identification System' (AIS) on selected vessels by December, 2004. Moreover, the STAR Initiative ensures collaborative efforts to suppress pirates within the APEC region.

Thirdly, for Air Security, the STAR Initiative pledges to secure bullet-resistant doors in the control rooms of passenger aircrafts by November, 2003; supporting the 'International Civil Aviation Organization' (ICAO)' s Air Security inspection regulations; and employing effective cargo inspection procedures and equipment in all critical airports within the APEC region.

Fourthly, for Traveler Security, the STAR Initiative urges the implementation of API Systems. API is an Electronic Data Interchange system that informs immigration authorities at the port of arrival of data such as transfer flight logs, and passenger rosters created at the time of a vessel or airline's departure. The objective of the API is to enhance security by restricting the entrance of suspect terrorists and to ensure that the movement of legitimate travelers in the region is not disrupted.

Cyber Security Initiative

As terrorist group activities are becoming more intelligence-based, cyber terrorism, such as the transmission of viruses; hacking; the destruction of national intelligence including the databases of military, administrative, and human resources, is being perpetrated and unduly disrupting the normal flow of trade in the region.

As a response to cyber terrorism, the APEC Cyber Security Initiative was introduced for both preventive and combative purposes.

The APEC Cyber Security Initiative was included in the 2002 Los Cabos Statement on Fighting Terrorism and Promoting Growth. Included in the statement are proposals, somewhat resembling a "Cyber Crime Pact," to enact regulations on cyber-crime and cyber security by the end of 2003. It proposes to designate cyber crime response centers and high-tech international communicators, and to create a Computer Emergency Response Team (CERT). The CERT is committed to preventing the spread of damage by detecting, analyzing and warning in advance any signs of Internet incidents within the internal network of critical sectors such as governmental and civil corporations.

Action Plan on Combating the Financing of Terrorism

APEC devised its Action Plan on Combating the Financing of Terrorism as an effective policy to preemptively suppress international terror. In an effort to prevent a possible recurrence of international terror similar to that of the 9/11 attacks, APEC urges its member economies to take preventative measures to restrict terrorist organizations' access to sources of funding, and encourages its members to join the 'International Pact to Combat Terrorist Finance'. In addition, APEC strongly advises its members to stipulate that the supply of terrorist financing is an illegal act and to ensure that intelligence on terrorist financing is placed in the public domain. Moreover, APEC assists its members in developing their counter-terrorism capacities by providing for them technical assistance and capacity-building projects.

In addition, APEC advises compliance with both the UN Security Council Resolution 1373 (UNSCR 1373) and the Recommendations of the G-8 Financial Action Task Force. In accordance with UNSCR 1373, APEC actively participates in UN Security Council Counter-Terrorism Committee (UNSC CTC) activities in collaboration with relevant regional and financial institutions such as the EU, ASEAN, the IAEA, NATO, and the OAS, in order to establish a counter-terrorism network.

Furthermore, APEC urges its members to accept as a public duty the development of expertise in techniques for the detection and prevention of money laundering and terrorist financing, with appropriate policy outcomes examined by the inter-governmental organization, the Financial Action Task Force (FATF). It also requests?? compliance?with preventive measures proposed within the FATF. Moreover, through the 'Asia-Pacific Group on Money Laundering' (APG), an organization founded in March 1998 whose purpose is to prevent money laundering and combat terrorist financing in the Asia-Pacific region, APEC has been making progress in promoting cooperation and information interchange between member economies in the region, as well as holding workshops on tracing trends and patterns in money laundering.

Hence, APEC has been pressing to reinforce inspection of the Alternative Remittance System (ARS) that is highly likely to be misused as an avenue for the smuggling of drugs, laundering of money, and procuring of terrorist finance, since it does not require remittance records and is not regulated by monetary authorities. Such measures were employed following the United States' proposal at the 2002 Los Cabos Economic Leaders' Meeting to adopt the matter as a Finance Ministers Process' project. Thus, in March 2003, the Experts Group meeting was held in Singapore and the ARS Working Group was launched. Also, in May 2004, the policy conference was held in the United States.

Energy Security

Energy Security issues initially attracted attention with the formation of the EWG (Energy Working Group), which was established in the early 1990s with the aim of maximizing the energy sector's contribution towards economic and social welfare in the APEC region. Later on, interest in 'energy security' became officially recognized as the 3Es (economic growth, energy security, environmental protection) were presented as objectives adopted in the 1995 3rd Osaka Economic Leaders' Meeting.

EWG concluded that in order to achieve energy security, research should be conducted on the potential effect that rapid population increases and economic growth may have on energy needs in the Asia-Pacific region. Also, countermeasures should be devised in preparation for the sudden increase of energy consumption in the region. Consequently, shortly after Australia's proposal, the Energy Ministers' Meeting was newly established.

Energy Security was mainly included in the Leaders' Statement through the "APEC Leaders Statement on Counter-Terrorism" adopted in the 2001 Shanghai Economic Leaders' Meeting. As a result of APEC leaders demanding measures that would ensure a steady supply of energy in the region, the 'Energy Security Initiative' (ESI)? was adopted consecutively throughout 2001 and 2002. The Energy Security Initiative contains proposals for both short- and long-term policies to ensure the stable provision of energy in the APEC region. As for the short-term policy, plans have been proposed to manage short-term supply-demand imbalances by analyzing oil usage and inspecting oil supplies. As for the long-term policy, plans have been proposed to develop alternative forms of energy and to promote investment and trade for energy development.

In the following 2003 Bangkok Economic Leaders' Meeting, both the Energy Security Action Plan and the Energy Security Initiative Implementation Plan were adopted; and in the 2004 Santiago APEC Leaders' Meeting, the 'Comprehensive Action Initiative Recognizing the Need for Strengthening APEC Energy Security' (CAIRNS) was adopted, thus demonstrating the continuing interest in energy security.

Health Security and Disaster Response

Following the theory that investments in health accelerate economic growth, health security was first mentioned in the agreement on the Infectious Disease Strategy, in the 2001 Shanghai APEC. Endorsed at this meeting was a strategy for devising appropriate health safety measures to combat naturally and artificially spread infectious diseases.

At the 2003 Bangkok APEC Economic Leader's Meeting, APEC adopted the Statement on Health Security, which states that APEC will deal with Asia-Pacific disease and bio-terrorism in the field of Health Security. The 2004 APEC's Leaders' Declaration in Santiago, Chile, also included the adoption of measures to screen imported and exported foods to stop the circulation of hidden hazardous or toxic materials, and enhance public health policies in response to regional health threats. (2004 Leaders' Declaration)

Let's take a closer look at the 'Health Security Initiative' and the 'APEC Action Plan on SARS' of the 2003 APEC Leaders Statement on enhancing Health Security. First, the 'Health Security Initiative' states the following: "The Health

Security Initiative suggests a plan to defeat AIDS and requests political intervention on a regional and international level, in order to prevent the further spread of AIDS. Also, we have agreed to screen imported and exported foods to effectively prevent illegal import and exportation of hazardous or toxic materials. In addition, there has been agreement reached upon a Singapore and US joint project to build a 'Regional Emerging Disease Intervention Center' (the REDI Center) in Singapore, and to open a 'Life Sciences Innovation Forum' to accelerate innovation in biological sciences to enhance human health and provide for the well being of people in the region." (see APEC Secretariat 2003, 1)

The APEC SARS Action Plan formed a new Health Task Force to monitor Human Security issues, such as SARS or avian flu, and to cooperate on the prevention of SARS and AIDS. In addition, there has been an APEC Health Ministers' Meeting on SARS to resolve this issue.

Furthermore, APEC selected a new Human Security cooperation for counteractions for disasters, soon after the December 2004's tsunami in the Indian Ocean killed more than 200,000 and left countless people homeless. The loss was more than just human lives; salt fields, fishing boats and equipment, and tourist developments were greatly damaged. So APEC encouraged member economies to support the tsunami relief effort, inspected early tsunami warning policies, discussed providing a solution to the damaged tourism and fishing industries, and searched for health and hygiene policies. In addition, at the 16th Fisheries Working Group Meeting, which took place in May 2005, Phuket, APEC members cooperated to come up with ways to revive the fishing industry destroyed by the tsunami, and enhance regional human security.

APEC'S ROLE IN PEACE ON THE KOREAN PENINSULA

Korea's Stand on APEC's Security Role

Korea has so far been more interested in organizations in North-East Asia than in East Asian security organizations, due to its geological characteristics. In May 1993, foreign minister Sung-Joo Han stated that, to effectively handle regulations regarding military spending and conflict prevention, mini-CSCE type smaller security groups that have common regional traits and easily share security benefits may be more ideal than a large organization such as APEC. (Han 1993, 239)

To discuss its proposal, the Korean government proposed a Northeast Asia Security Dialogue (NEASED) at the first ARF-SOM in May 1994. The Korean government thought that it would be more appropriate to have security dialogues such as NEASED, which include North-East Asian countries, in order to resolve the Korea Question.

However, the Korean government is interested in large-scale, East Asia or Asia-Pacific security issues as well. At the time of writing, Korea is actively participating in the East Asian security talks. The regional security organization in which Korea is showing the most active participation is the ASEAN Regional Forum (ARF). As much as ARF is an organization based on ASEAN, its interest in the Korea Question can only be peripheral. However, Korea is actively participating in the forum to gain experience on multilateral cooperation for the security of the entire East Asia (Park 2004, 5-6).

The ARF emphasizes national security matters and is presently searching for?confidence-building measures, preventive diplomacy, and conflict prevention between East Asian countries. (Han 2004, 12) But because national security alone does not provide human security, ensuring multilateral security co-operation at the regional level that can enhance human security is necessary. APEC, therefore, as a primary regional multilateral cooperation organization, can fulfill this function, so overcoming the limitations of ARF in performing a function.

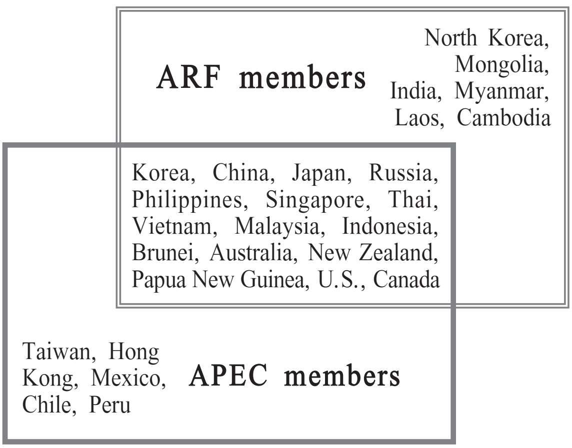
Korea is reevaluating the security role of APEC since a new form of non-national security threat surfaced after 9/11. There are four major reasons why Korea is interested in the security role of APEC.

The first reason lies in the conclusion that a new international security organization is necessary for non-traditional threats in the 21st century. APEC proposed the human security issue after 9/11, and agreed to channel APEC's security role toward human security through the 2003 Leaders' Declaration in Bangkok. The strengthening of APEC's security role will accordingly fortify human security on the Korean Peninsula and in East Asia.

Secondly, the US is participating in APEC. Korea has intimate knowledge of countries in its geographical proximity: China, Russia, and Japan, and is considering the participation of the US, which has extensive understanding of East Asia and is playing the role of a regional stabilizer. By guaranteeing the participation of U.S., the unipolar superpower, Korea is anticipating more effective multi-national security talks and the prevention of excessive competition between the respective regional powers.

Thirdly, APEC will be able to complement ARF in national and human security, because 16 out of the 21 APEC member economies are also members of ARF. Especially, the U.S., and countries surrounding Korea, such as China, Russia, and Japan are all member countries of both organizations; therefore, comprehensive security cooperation can be anticipated 【see Figure-1 below】.

Lastly, APEC's symbolic importance is due to the participation of the U.S., Japan, China and Russia, the four most powerful countries in the Asia-Pacific region, in the APEC Economic Leaders' Meeting (Cho 2005, 2). Because the four nations are maintaining the balance of power in the region as members of APEC, there is room for the participation of middle-powers, such as Korea, Australia, and Canada. Along with Australia, Korea led the founding of APEC in 1989, and following the 3rd APEC Ministerial Meeting in 1991, is currently the host economy of the 2005 17th APEC Ministerial Meeting and the 13th Economic Leaders' Meeting.



【Figure-1】 Members of ARF and APEC

Improving the Security Environment surrounding Korea

The Asia-Pacific region is Korean economy's largest market. Non-traditional security threats, such as international terrorism and weapons of mass destruction impede Korea's economic activity in this area. The Asia-Pacific region includes South-East Asia, where radical Islamic groups are active, and Northeast Asia, including North Korea, which presents continual nuclear threats. Moreover, new security threats such as maritime pirates and the illegal trade of drugs in the littoral waters of South East Asia are turning this area into the source of 'non-traditional security threats.'

The possibility of international terrorist groups endangering marine commerce and transportation has recently been increasing. Accordingly, intercepting the connection between terrorists in the littoral states of the Straits of Malacca and countries supporting terrorists is surfacing as the new task for APEC. Security in South-East Asia is critical to Korea, since the region is one of Korea's largest markets and serves as an important overseas trade route to China. Korea and APEC take the same position in supporting counter-terrorism and securing the region's overseas trade routes.

Creating a massive security framework such as Europe's NATO may be difficult in a culturally diverse-Asia; however, Asian countries can cooperate through APEC to regulate and secure the oceans and to manage marine resources. APEC's security role in the field of counter-terrorism and non-proliferation is becoming increasingly important and consequently it has been developing discussions on these issues. (Lee 2004, 10)

At the 9th Shanghai APEC Economic Leaders' Meeting in October 2001, APEC declared its intention in this area by adopting the Statement on Counter-Terrorism. The Statement on Fighting Terrorism and Promoting Growth, the Statement on Recent Acts of Terrorism in APEC Member Economies, and the Statement on North Korea were subsequently adopted at the 10th APEC Leaders' Meeting in Los Cabos.

Until the mid-90s, APEC's role was to establish regulations for free trade in East Asia. But as the WTO started implementing free trade at the global level, interest in APEC began to diminish, and country leaders started to shift their focus to international relations and security issues. In response to this shift in interests, this year's APEC Economic Leaders ' Meeting has taken on the subject of security issues, as well as the meeting's main economic topics. (Cho 2005, 40)

In addition to counter-terrorism policies, human security issues have become part of APEC's security cooperation projects. At the October 2003 11th APEC Economic Leaders'

Meeting in Bangkok, security discussions were colligated to define the concept of 'Human Security,' and the Statement on Health Security was adopted. APEC is also searching for effective tsunami settlement and relief policies.

Although APEC does not deal directly with national security issues as such, its efforts to prevent terrorism and the proliferation of WMDs, to enhance health security and disaster response capabilities and preparedness are crucial in ensuring the free movement of trade in this region. Accordingly, the contribution that APEC makes towards maintaining the peace and stability of the Asia-Pacific region is directly related to Korea's own prosperity and security.

Enhancing Human Security and Peace on the Korean Peninsula

Enhancing North Korean Human Security

National and military security has been the focus of interest in the long armistice that has existed between North Korea and South Korea since the end of the Korean War. Nevertheless, South Korea's pursuit of reconciliation and cooperation emphasizes the importance of taking a human security approach towards North Korea.

The Sunshine Policy, synonymous with the past Reconciliation and Cooperation Policy toward North Korea, is executed upon the theory that communication and reconciliation will become possible if South Korea continuously shows good will to the North Korean government. But even if South Korea's Sunshine Policy was to bring about a softening in the attitude of the North Korean government, it is impossible to instantly solve the problem of the denial of human rights in North Korea. Therefore, it is essential that South Korea proposes human security issues related to the Korean Peninsula through APEC, and asks for cooperation from other countries in the region. (Kim 2005, 129-130)

North Korea is currently not a member of APEC, but giving approval for North Korea joining as a member will stabilize trade in the area and will contribute to opening the gates to the North Korean economy. North Korea's participation in discussions about securing stable energy supplies, proposed in the Energy Security Initiative (ESI), will help solve the current energy crisis, and enhance North Korean human security through multilateral cooperation on health and disaster relief policies.

Safeguarding Peace on the Korean Peninsula

Above all, registering North Korea as the 22nd APEC member economy will allow APEC to lead North Korea into accepting various resolutions on counter-terrorism and STAR. The U.S. has defined North Korea as a nation that supports international terrorism; therefore, North Korea's participation in APEC will increase trade security in this region.

The Statement on North Korea, elucidated at the October 2002 10th Los Cabos APEC Leaders' Meeting, kept options open on this issue, but declared that North Korea would benefit economically from greater participation as a member economy?of the Asia-Pacific community. Such a prospect will rest upon it achieving a nuclear weapon-free status on the Korean Peninsula.

However, at the Vancouver APEC Economic Leaders' Meeting in November 1997, there had been a decision by APEC Leaders on APEC membership to have a ten-year period of consolidation after admitting Peru, Russia, and Vietnam. (APEC Secretariat 1997) Currently, APEC is dividing its members into three categories: APEC Secretariat, Observers, and Guests. The ASEAN Secretariat, the 'Pacific Economic Cooperation Council' (PECC), and the 'Pacific Islands Forum Secretariat' (PIF) have observer status.

Therefore, North Korea must wait until 2008 in order to become an APEC member economy; South Korea, however, cannot just sit and wait until then due to security threats to South Korea and the rest of Asia-Pacific caused by North Korea's nuclear weapons development program. If North Korea's nuclear weapons were to fall into the hands of terrorist groups, there would be a high probability of catastrophic terrorist attacks; therefore APEC must be proactive in helping develop measures aimed at the prevention of North Korea's WMD developments. There are two possible counter-proposals regarding this matter.

The first is to admit North Korea as an APEC member economy through a reversal of the APEC Economic Leaders' Meeting decision to temporarily limit membership. The second option is to invite North Korea as a guest in APEC, and then grant an observer status until North Korea becomes a member economy officially at a later date. (APEC Ministerial Meeting 2002)

Likewise, if South Korea can take advantage of its membership status within APEC to plead North Korea's cause, opportunities for increasing North Korean human security and creating peace on the Korean Peninsula will arise. Moreover, it may become the starting point for a reconciliation process between the two Koreas.

CONCLUSION

The characteristics of threats in the 21st century are changing from national security threats to human security threats. The UN identifies six major types of security threats in its 'Recommendations on UN Reform,' which include: economic and social threats (poverty, disease, environmental destruction); inter-state conflicts; internal conflicts (mass murder and violence); weapons of mass destruction (nuclear, chemical, bio-weapons); terrorism; and transnational organized crime.

APEC is raising public awareness in this area by fortifying cooperation on human security, through measures such as those aimed at countering criminal and terrorist activities, containing the proliferation of WMDs, preventing the spread of plagues and responding to natural disasters; this is in keeping with the security role advocated by APEC, as one that responds to the non-traditional security threats of the 21st century. In reality, of course, there are many problems to overcome before promoting human security as a worldwide project.

Some may ask the question: is increased human security a means to accomplish national security, or is it a goal on its own? In addition, there is the problem of reconciling the principle of human security with that of national sovereignty. Limitations placed on China and Taiwan's independent APEC memberships raise problems as well. Some may worry that the U.S. will take the lead and become dominant in shaping APEC's security policy because human security issues were brought up at APEC right after the 9/11.

But to build a global concept of human security, human security must become a complementary concept to national security, rather than separate or substitutional. (Cho 2001) China and Taiwan's independent membership of APEC may limit APEC's ability to handle national security; on the other hand, it also opens up the possibility of both taking part in discussions on human security issues. After 9/11, APEC proposed formulating a counter-terrorism and prevention strategy in order to enhance multilateral security cooperation, but gradually extended these parameters to include energy security, health security, and disaster recovery policies in order to provide programs of assistance and benefits to APEC member economies.

As mentioned above, APEC's security role, while undoubtedly having several important positive factors, still has many negative factors to overcome. The key to how well it can perform this role in the future lies in minimizing these negatives, while at the same time maximizing the positives.

From this perspective, the success of the upcoming Busan APEC Economic Leaders' Meeting is contingent upon whether APEC can evolve into a human security organization that responds to the needs of the 21st century, or gradually atrophy into an organization in form only while it remains within its current limitations.

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PROSPECTS FOR EAST ASIAN MONETARY ARRANGEMENTS

YOUN-SUK KIM and DONG-KUEN JEONG
Kean University and North Carolina A&T State University

ABSTRACT

The East Asian economy is ripe for a shift toward regional integration in response to the rise of the Chinese economy and developing regionalism on the heels of the 1997 Asian currency crisis. China, Japan and Korea have been promoting a free trade agreement, while Japan and China are in competition to secure leadership within the region. The launch of the World Trade Organization in 1995 indicates that most countries around the world are taking active roles in regional economic integration. However, East Asian countries have only recently been involved in a few free trade agreements, while capital flows are now global, with businesses depending much more than ever before on foreign investment. The deficiencies in East Asian economic organization are real and have to be corrected if the region is to prosper in an increasingly global economy. Granted there are serious economic and political constraints to the creation of an Asian regional institution. Huge disparities in the level of economic development among East Asian countries would make it more difficult for them to form some type of regional trade arrangement let alone to create some type of regional financial institution. The Asian financial crisis stirred up debate and led to a number of proposals for institutional reform, which resulted in a network of swap agreements. The East Asian countries should create their own monetary institution. This paper explores the linkages between the Chiang Mai Initiative and Asian monetary arrangements, which shield the East Asian countries from the erratic fluctuations in the currencies of the global market. It is significant and timely to consider creating a common Asian currency for East Asian monetary coordination, in order to have a desirable exchange rate system that can cope with any possible currency crisis for the East Asian countries in the long run. Developing deeper and more diverse financial markets, together with the arrangement of an Asian Monetary Fund and/or a common Asian currency would provide security against volatile exchange markets.

Key Words: Trade Linkages, Currency Contagion, Currency Swap, Asian Monetary Fund, Common Asian Currency

INTRODUCTION

The currency crisis brought the issue of regional financial cooperation to the fore for the East Asian countries, awakening them to just how much the formation of a regional monetary institution is necessary to cope with dynamic global capital flows. The Asian crisis was caused by the misallocation of investment due to easy access to cheap foreign capital under an accelerating capital liberalization environment. The Asian crisis has shown that capital flowed out much more quickly than it flowed in, causing serious economic harm in those East Asian countries with badly regulated financial systems.

The East Asian economy is ripe for a shift toward regional integration in response to the rise of the Chinese economy and developing regionalism on the heels of the 1997 Asian currency crisis. Korea, Japan and China have been promoting a free trade agreement (FTA), while Japan and China are in competition to secure leadership within the region. The launch of the World Trade Organization in 1995 indicates that most countries around the world are taking active roles in regional economic integration. However, East Asian progress in establishing a free trade area has not gone much beyond the discussion stage, while capital flows have increasingly become global in nature, with businesses depending much more than ever before on foreign investment.

It has been recognized that joint efforts and cooperation toward economic integration among the East Asian economies are crucial to the financial stability of the region. Thus the East Asian countries have seriously started to consider forming their own economic bloc, as the shares of trade and investment of their economies destined for other East Asian economies have been increasing rapidly in the last two decades.

Korea, China and Japan have stepped up regional monetary and financial cooperation, and the East Asian countries themselves have taken important steps towards enhanced monetary regionalism as a means of promoting regional economic stability. In May 2000, the Chiang Mai Initiative was launched in Thailand. It agreed to construct a bilateral swap and repurchase agreement among the ASEAN plus three countries (China, Japan and Korea) to provide emergency financial support. However, this agreement fails to meet the long-term needs of countries in the region. For that purpose, the East Asian countries are seeking to establish a regional monetary institution that will represent their interests in the global economy by protecting them from the volatility of the international economy in the long run.

TRADE LINKAGES AND CURRENCY CONTAGION

The Asian currency crisis in 1997~1998 was confined to the East Asian region. The currency crisis spread along the lines of trade linkages, even after accounting for the effects of macroeconomic and financial factors. As Thailand had suffered from a speculative attack, its neighboring countries were also attacked; this stemmed from weaknesses in the region's financial systems. Despite the growth of their outputs, the financial sector of East Asian region countries remained largely at an underdeveloped stage and failed to catch up with the advancement achieved in the Western economies.

From the onset of the crisis, the East Asian countries also lost disproportionately from trade disruptions, while trying to prevent the spread of the currency crisis. As the value of the dollar changed, so did the value of the East Asian currencies because their currencies were pegged to the U.S. dollar. While the dollar was appreciating, products and services supplied by the East Asian countries grew more costly to buyers not using dollars. As a result, they suffered from increasing difficulty to balance their international accounts. Furthermore, the depreciated yen led to a reduction in export competitiveness of East Asian countries such as Thailand, Indonesia, Korean and the Philippines, which resulted in rising deficits in their trade accounts. These East Asian countries exports became so expensive that it caused spillover effects onto business and commercial sectors and led to drastic devaluations of East Asian currencies.

The currencies of several economies in East Asia came under severe downward pressure, with the strongest pressures emerging initially in Thailand. When the Thai currency, the baht, collapsed in July 1997, East Asia experienced an unprecedented economic contraction as Thailand's currency crisis quickly spread throughout the East Asia countries, which were linked by trade. Once Thailand floated the baht, its main trade competitors, Indonesia, Malaysia, and the Philippines were suddenly at a competitive disadvantage and so were depreciating their currencies, spreading a contagious currency crisis.[1]

To resolve Thailand's worsening trade deficits, the Thai government officially devalued the baht by around 17 percent

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1 See Youn-Suk Kim and H. K. Koo, "Asia's Contagious Financial Crisis and Its Impacts on Korea," *Journal of Asian Economics,* Vol. 10, Issue 1, March 1999, pp.111~121.

against the U.S. dollar on July 2, 1997; the baht devaluation immediately led currency speculators to turn to the Philippine peso, which immediately fell by over 10 percent. In rapid succession, Thailand, Indonesia, the Philippines, Malaysia, and Korea experienced currency crises, which resulted in a deep depreciation of their currencies. There was also a speculative attack on Hong Kong financial markets in October 1997.

The trade imbalances led to financial difficulties, which spilled over onto the business and commercial sectors and led to a wave of currency devaluations among the East Asian countries. Thus the situation placed downward pressure on their exchange rates, requiring more government intervention to maintain them, resulting in the East Asian governments conceding failure and allowing drastic currency depreciation. By early December 1997, the baht, Indonesian rupiah, and Malaysian ringgit had each depreciated by about 60 percent, the Philippines peso by about 35 percent, and the Korean won by 30 percent.

Since the linkages between the currency crisis and trade were clearly observed, a regional monitoring system became an important arrangement for currency stability and for trade expansion. Economic policy problems in one East Asian country spilled over rapidly to other economies in the region as a serial currency effect rapidly became a regional phenomenon.[2]

The currency crisis largely stemmed from two factors: weakness in the financial sector of the region and the excessive speculative activity in international financial markets.[3] The financial crisis of the East Asian economies was in part caused by skittish bankers and foreign investors who quickly pulled

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2 See Glick, Reuben, and Andrew K. Rose, "Contagion and Trade: Why Are Currency Crises Regional?" *University of California: Berkeley working Paper and Pacific Basin Working Paper No. 98-03,* 1998.

3 See Glick, Reuben and Andrew K. Ross, "How Do Currency Crises Spread?" *FRBSF Economic Letter,* pp.98~25, August 28, 1999.

their money out of the stock markets or stopped lending to companies and banks amid 1997's rash of bankruptcies and the broader currency crisis in the East Asian region. Therefore, it was imperative that the East Asian countries should overhaul their financial systems, and should coordinate economic policies in order to resolve any currency crises in the future and prevent speculative activities in the regional capital markets. East Asia needed a major institutional vehicle for promoting regional financial cooperation and trade expansion and providing the appropriate amount of funds for managing any problem situation to prevent it turning into a crisis.

CURRENCY SWAP ARRANGEMENT

At the Asian Development Bank meeting in Chiang Mai, Thailand in May 2000, the East Asian countries concluded a swap agreement called the Chiang Mai Initiative to use their funds to ease payments deficits and to discourage speculative capital outflows. The Chiang Mai Initiative aimed to establish an Asian financial arrangement to supplement existing international facilities such as those provided by the IMF.

Strengthening the financial cooperative framework in the East Asian region, the Chiang Mai Initiative was designed to expand the existing ASEAN Swap Arrangements[4] and create a network of bilateral swap and repurchase agreement facilities among the ASEAN countries plus three other countries (China, Japan and Korea). The currency swap arrangements constitute bilateral agreements between central banks where each

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4 The ASEAN pool was viewed as too small (US $200 million) to cope with a currency crisis, so it was expanded to include Japan, China and Korea The East Asian countries established a pool to draw on each other's foreign-exchange reserves in order to defend their currencies in time of crisis.

government provides for an exchange, or swap, of currencies to help finance temporary payments disequilibrium.

The Chiang Mai Initiative (CMI) has already been instrumental in supporting the ASEAN+3 facing speculative attacks on their currencies, and the network of countries has undertaken surveillance and monitoring in the region. The CMI was agreed on at a meeting of the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) and introduced a web of bilateral swap and repurchase arrangements.

This regional mechanism of swap arrangements has responded quickly to potential contagious effects in the region, and has also provided major regional financial cooperation for trade expansion, providing the appropriate amount of funds needed to manage a problem situation. The Chiang Mai Initiative has been an effective mechanism to nurture currency and financial stability in the East Asian region. Furthermore, the development of a financial cooperation framework has promoted effective policy dialogue, mutual trust, and greater cooperation for growth and economic development.

The CMI swap arrangements allowed a country whose currency was under attack to borrow foreign currency from another country, and to use those funds to buy its own currency. That would support the exchange rate of its own currency, fighting against speculation and extreme short-term capital outflows. It was also possible to have bilateral agreements on settlement of transactions in the currencies of the countries instead of the U.S. dollar (up to a maximum amount if necessary), thus conserving foreign exchange reserves and freeing them up for potential use in emergencies.

Since currency-trade linkages resulted from contagious financial crises, protective mechanisms of institution and cooperation were called for to avert a crisis and secure stable economies in the region. East Asian countries have also created a network of bilateral swap arrangements (BSAs) between themselves, including China, Japan and Korea, which allow the countries to pool together funds to meet an emergency situation.

Korea agreed to a currency-swap arrangement with Japan for up to \$6 billion, and Korea and China agreed on swaps of up to \$6 billion in 2002 (see Table 1). Korea and Thailand established a network of bilateral swap and repurchase agreement facilities of up to \$1 billion among the ASEAN counties and China, Japan and Korea (ASEAN+3). In addition, Japan signed a \$3 billion currency swap arrangement with Thailand; a \$2 billion deal with Korea, and a \$1 billion facility with Malaysia under the CMI framework.

<Table 1> Swap Arrangements under Chiang Mai Initiatives with East Asian Countries

(Million of US Dollars)

Borrowing Country	Creditor Countries			Total BSAS
	Japan	China	South Korea	
Japan		3,000	2,000	5,000
China	3,000		2,000	5,000
South Korea	2,000	2,000		4,000
Total	5,000	5,000	4,000	14,000

Notes: BSAS: Bilateral Swap Agreements
Source: International Monetary Fund Annual Report, 2002.

Furthermore, these countries also devised currency-reserve swap agreements and new "early warning systems" so as to strengthen the swap arrangement mechanism. Although the swap arrangements would only be activated in the event of a crisis, the arrangements served participating countries well by enabling them to engage in monitoring financial and economic situations in the region and other regions as well.

The 2002 arrangement of the yen-denominated currency swap agreement was designed by the Bank of Japan and the People's Bank of China, and made available drawings by any one country up to a maximum of \$3 billion at one time in order to avoid a repeat of the 1997~98 region-wide crisis and head off out-of-line currency fluctuations. The 2002 arrangement of the yen-denominated currency swap agreement allowed the Bank of Japan and the People's Bank of China to conduct currency swaps of as much as $8 billion. Similarly, South Korea also established a web of central bank swap agreements with Japan ($2 billion), with China ($2 billion) and with Thailand ($1 billion).[5]

To maintain stable exchange rates and domestic price levels, purchasing an inflow of foreign exchange allows a country to insure itself against a destabilizing run on its domestic currency and, more generally, help it to stabilize the value of that currency. After the 1997~98 financial crisis was over, foreign exchange assets, and dollars in particular, were pouring into Asia as trade boomed and as foreign investors bought into Asian stocks. Although the currency swap arrangements sent a strong signal to the financial markets that the ASEAN+3 countries intended to defend themselves against currency attacks, they were not enough to counter the fallout from global currency disturbances or from growing disequilibrium of their foreign exchange reserves as serious, continuous dollar depreciation occurred.

The Bank of Korea upgraded its currency swap arrangements by signing agreements with the central banks of Japan and China, setting the groundwork for the three major Asian countries to cooperate in foreign exchange policies. These bilateral agreements mark a significant extension of the existing network of ASEAN multilateral swap agreements, and were concluded by the three nations' finance ministers at the 38th

[5] According to the Asian Development Bank, the region needs around $250 billion annually in new investment for infrastructure. The swap amounts are too small and there is no supranational institution to secure the fulfillment of investment contracts. In a regional currency swap network, a country which faces speculative attacks on its currency, like the Thai baht in 1997, or shortage of funds during a balance of payments crisis, could borrow the dollars from its partners.

annual meeting of the Asian Development Bank (ABD) in Istanbul in early May 2005. Officials at the three central banks expect that further bilateral swap arrangements among the ASEAN+3 countries will enhance international financial market confidence in Asian countries and contribute to preventing future financial crises.

The Bank of Korea signed an agreement to swap the won with the Japanese currency, with a won-yen swap ceiling of $3 billion in 2005, and the Bank of Korea also signed a separate agreement with the People's Bank of China for a Chinese currency swap, with a won-yuan swap ceiling of $4 billion. Rather than holding a large amount of reserves in an inefficient fashion, East Asian central banks can now, in theory, economize on their foreign exchange reserves under the mechanism of the CMI swap arrangements, and without the threat of speculative currency attacks, they can fulfill their roles as domestic monetary institutions, managing and coordinating monetary policy, targeting inflation rates and coordinating the supply of money.

Officials at the three central banks expected that further bilateral swap arrangements like this would heighten international financial market confidence in Asian countries and contribute to preventing future financial crises, as well as facilitating early recoveries from economic downturns. The three central banks have strengthened cooperation through high-level consultative meetings and more frequent exchanges of visits for on-the-job training.[6]

ACCUMULATING RESERVES

East Asian central banks' holding of foreign currencies (i.e., foreign exchange reserves) have risen sharply in recent years. The East Asian countries purchased foreign exchange

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6 See *Hankook-ilbo (Korean Journal),* May 27, 2005.

reserves to insure themselves against a destabilizing run on their domestic currencies and to help stabilize the value of the currencies over time. Inflation concerns were also taken into account by the central banks to neutralize the impact of reserve purchases on the monetary base through sterilization.

Since rising currency values of the East Asian countries hurt their exports and diminish economic growth, governments intervene in the foreign exchange markets by selling foreign exchange stabilization bonds to stabilize their currencies for dollar purchases. If the domestic currencies of countries strengthen against reserve currencies, then the central banks wind up with both interest income losses and large capital losses on their foreign reserve purchases, as seen by the current experience of the East Asian countries. The difficult issue here is that capital assets were invested in safe assets of the advanced countries such as U.S. treasury bills, and a large share of these capital assets were in turn invested again in East Asia through foreign direct investments and portfolio investment.[7]

The East Asian central banks accounted for almost 80 percent of the increase in global FX reserves at the end of 2003 (see Table 2). Another complication has been that recently the yield on foreign reserve assets has been so low that the opportunities for high returns from investment have been lost on the part of the East Asian economies since the overall returns from purchasing the securities of the reserve countries (mostly United States) were lower than that from their domestic assets.

To meet the call for the effective cooperation of the foreign exchanges in the region, the East Asian central banks have recently unveiled plans to double the number of foreign currency asset managers and streamline their foreign currency management systems. Most foreign exchange reserves have

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[7] East Asian central bank holdings of dollar assets, at roughly $2 trillion, were equivalent to more than half of marketable Treasury debt outstanding.

<Table 2> Global Reserve Stocks

Billion of US Dollars)

	1999	2003	change
Global	1,781	3,014	1,232
Developed countries	772	1,194	382
Japan	278	653	375
Euro area	228	188	(40)
Developing countries	1,059	1,910	851
Africa	41	91	49
Asia	656	1,238	582
Europe	108	250	142
Middle East	103	140	37
Western Hemisphere	151	191	40

Notes : the figures are year-end values. Because of rounding, the figures in column 3 may not equal the difference between the figures in columns 2 and 1.
Source : International Monetary Fund

been held in five currencies: the US dollar, the euro, the Japanese yen, the British pound, and the Swiss frank.[8]

Korea is a good illustration of the need for cooperation in the region regarding an umbrella-type foreign currency management system. The country's foreign exchange reserves had risen to a record $205.5 billion by the end of March 2005 as the currency authority aggressively intervened in the market to curb the won's rise, as central bank data showed. Private economists say the optimal level of the foreign reserves should be between $140 billion and $150 billion, calling for the central bank to aggressively invest in stock markets, or

[8] The U.S. dollar was the most popular reserve currency, with a dominant share in global reserves due to the intensive and extensive global liquid market for US treasury and agency securities.

in state-run projects. There would seem to be better ways for Korea to utilize its reserves. Since its peak in 2002, the U.S. dollar has depreciated by about 35 percent in trade-weighted terms against other reserve currencies.[9]

According to the Asian Development Bank (ADB), the East Asian region needs around $250 billion a year in new investment for infrastructures. If reserve assets were invested within the East Asian region, the investment would generate increased production, employment and incomes, leading to more consumption that would draw in more imports, which in turn would trigger another round of new investment as the multiplier effect kicked in.

By economizing on its levels of FX reserves, and by adopting an umbrella-type foreign currency management system, the East-Asian central banks would be in a better position to resist speculative currency attacks, while at the same time enabling more of the $2 trillion in reserves (now mostly invested in U.S. treasuries) to be part invested in the East Asian countries themselves. In order to reduce the reserves of the central banks, the East Asian countries should consider creating their own monetary institution. Developing deeper and more diverse financial markets, the arrangement of an Asian Monetary Fund or a common Asian currency would provide security against volatile exchange markets. Such concerted regional action would have far-reaching benefits.

ASIAN MONETARY FUND

In the aftermath of the 1997~98 financial crisis, IMF conditionality resulted in the slashing of public expenditures in the region, a large part of which were allocated to helping the poor and to boosting private consumption; the IMF's

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9 Korea's finance ministry set up the Korean Investment Corporation in 2004, as it had realized a loss in the real value of its reserve assets.

restrictive monetary and fiscal policy conditions in effect resulted in a severe region-wide economic downturn, high unemployment and drastic economic disruption. The deflationary effect caused severe recessions in several countries and bank failures. Indeed, the bailout packages in the East Asia countries were problematic, since the IMF did not have sufficient resources to put together appropriately designed, individual rescue packages. While putting together packages on an ad hoc basis, the IMF-initiated policy showed serious limitations with the set of emergency approaches because the policy framework was precarious. In essence the IMF achieves its objectives through two means: (1) surveillance of the international community and (2) lending with conditionality. Surveillance is the less important role, since other institutions, like private credit rating agencies, already engage in surveillance.

At the time of the 1997~98 crisis, the IMF argued that high interest rates were needed, at least temporarily, to restore confidence in the region's currencies.[10] Korea, Thailand and Indonesia suffered a severe recession in 1998. Korea's GDP growth rate plummeted from more than 5 percent in 1997 to minus six percent in 1998, and GDP per capita declined from $10,000 in 1997 to $6,500 in 1998. The unemployment rate rose to 8 percent from 2.7 percent in 1996, though any form of social safety net was scarcely present. The recessions of the East Asian countries led to sharp falls in imports, while the currency crises disrupted trade flows, with a consequent knock-on effect throughout the region, where a fall in one country's imports was accompanied with a fall in another country's exports.

The financial crisis stirred up debate and led to a number

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[10] The implementation of the Asian austerity program of the IMF was critically discussed. See Joseph Stiglitz, "World Bank Questions IMF Plan: Austerity in Asia May Worsen Crisis," *The Wall Street Journal,* January 8, 1998.

of proposals for institutional reforms. In 1997 Japan surprised the world by proposing an Asian Monetary Fund (AMF) to supplement IMF resources for crisis prevention and resolution. The idea was to have reserve funds for dealing with similar crises in the future by establishing an institutional vehicle for financial stability during currency crises. Though it might seem natural for Japan to be the unilateral leader, lingering resentment over Japanese aggression in the early part of the twentieth century combined with severe domestic economic problems have made it more difficult for Japan to assume this role.[11]

During the crisis, the Malaysian government proposed an Asian Monetary Foundation. But governments in the region – and the IMF itself – resisted, and little progress was made beyond introducing a rudimentary system of mutual economic surveillance. Malaysia contended that East Asian countries should work on cooperative exchange-rate systems to shield themselves from the huge fluctuations in the currencies of the major industrial countries. Forming an East Asia Economic Caucus was also discussed in a similar context as a way of offering its member nations leverage against the European Union (EU) and the North American Free Trade Area (NAFTA).

Then, the argument evolved to a regional financial arrangement that would provide for a lender of last resort mechanism. A proposed Asian Monetary Fund would hold monetary reserves that would serve as a supplemental facility together with the implementation of an effective surveillance system over the East Asian region. The rationale of an AMF implied a quick response to an imminent contagious currency crisis in the East Asian region by having in place a major institutional vehicle for promoting regional financial cooperation and trade

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[11] In September 1997, Japan offered $100 billion as initial capital for heading up an AMF. The United States and the IMF stood, however, steadfastly against an AMF, making the proposal unfeasible.

expansion; it would also provide the appropriate amount of funds needed to manage a problem situation before it developed into a full-blown currency crisis. An AMF would also become a cooperative exchange-rate system to shield the East Asian countries from the erratic fluctuations in the currencies market, similar to Europe's moves toward monetary integration to defend itself against wide fluctuations of the dollar.

As shown by the crisis, the regional components that made up the financial rescue packages for countries like Indonesia, Korea, and Thailand were actually larger than the direct contributions from the IMF itself, since the Fund did not posses sufficient resources to put together rescue operations unilaterally. The members of a potential AMF currently hold the largest foreign exchange reserves in the world, far larger than those of the U.S. or the countries of the euro zone. If an AMF were eventually established, Japan, Korea and China, with the three largest dollar reserves in the world, would be able to support each other's currencies.

Since currency crises are generally regional in nature and hugely costly to the regional economies themselves, the East Asian economies have a strong rationale for establishing an AMF so as to alleviate these excruciating costs by creating a lender of last resort facility. Before July 1997, it was common knowledge that the East Asian countries faced intense pressure from short-term capital flows, but there was no mechanism to deal with the situation. An AMF could be a useful institution for stabilizing East Asian economies during a currency crisis.

At the time of the crisis, the IMF, unfortunately, adopted the same approach with the East Asian countries as it had taken with the Latin American countries in the past, even though there were profound differences between them. A case-in-point is Mexico; the Mexican currency crisis resulted from low savings, high inflation, high government budget deficits, low growth rate and a cumulative trade imbalance. By contrast, the East Asian countries were rather well situated in terms of their macroeconomic fundamentals, and despite the fact that their debt/equity ratios were high, whereas those of Mexico were low,[12] the East Asian countries did not have the traditional financial problems of excessive government spending and huge deficits.

The East Asian region lost disproportionately from trade disruptions caused by the currency crises of the late 90s, so consequently there should be a risk-management system established in the region to prevent such crises from happening again. A regional risk-management system would be better able to provide an early warning signal to member countries, should there be the danger of a crisis developing. Under such a system, creditors would also be better able to coordinate their efforts to resolve liquidity crises in the Asian region by coordinating loans and debts, thereby helping both debtors and creditors in the process.

An Asian Monetary Fund could also serve the region by coordinating with the International Monetary Fund when providing financial assistance to member countries experiencing short-term international payments imbalances. Such a bilateral approach in the future would overcome the limitations of the IMF's own resources preventing it from putting together a rescue package unilaterally, as was mentioned earlier was the case during the 1997~98 crisis, when regional contributions were a substantial amount supplementing the direct IMF bailout provided to those nations in crisis.[13]

The East Asian central banks buy and sell foreign assets for policy reasons that go beyond trying to maximize risk-

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12 The impacts of the IMF policy have been critically analyzed. See Jeffrey Sachs, "The IMF and the Asian Flu," The American Prospect, March-April 1998, pp.16~21; see also Martin Feldstein, "Refocusing the IMF," *Foreign Affairs,* 77 (2), March/April 1998, pp.20~33.

13 Critics accused the IMF of implementing the wrong policies and being an institution that lacked able economists. See Joseph Stiglitz, "What I learned at the World Economic Crisis," *The New Republic,* 17.4, 2000 *(www.thenewrepublic.com).*

adjusted returns. A large stockpile of reserve assets serve as a public demonstration of a commitment to exchange rate stability, helping to prevent any sell-off of the domestic currency. The establishment of an AMF could be an enlargement of the existing East-Asian currency swap agreements. Such a mechanism would involve the East Asian countries establishing a central reserve pool that would enable them to draw on the foreign-exchange reserves of each other to defend their currencies in time of crisis.

A COMMON ASIAN CURRENCY

Looking ahead beyond the current currency swap agreements, a common Asian currency might be possible in the long run. An optimum currency area (OCA) consists of: uniform prices, lower transaction costs, higher certainty for investors, enhanced competition, price stability, and reduced exchange rate volatility.[14] The rationale behind the argument for an OCA is that it reduces volatility and currency risk, and thus allow for having diverse financial measures as well as market integration.

Cross-border transactions also become more attractive as market operators are no longer exposed to exchange rate risks. Costs associated with currency conversion are eliminated, and efficiency and market transparency are enhanced, as prices are more easily comparable. Therefore, in the long run, the East Asian countries would be better off having a common currency rather than multiple currencies since mobile factors of production and trade intensity would be accompanied by greater flexibility in wages and prices.

Despite the fact that adopting a common currency waives

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14 See Mundell, Robert "Does Asia Need a Common Currency, Pacific Economic Review, 7:1 (2002), pp.3~12, and "Robert Mundell's Work on Optimum Currency Areas" by Don Roper *www.geocities.com/Eureka/Concourse/875/edisi04/optca.htm]*; UPI Press International, July 11. 2002, www.upi.com/view.cfm?StoryID=11072002-060438-1132r.

the right to make independent monetary policies, a common Asian currency would shield the countries from the erratic fluctuations in the currencies of the global market, mirroring Europe's moves toward monetary integration in order to achieve the same objective. Uncertainty about future changes in fixed exchange rates is eliminated under such a system, allowing member countries and their business entities to specialize according to comparative advantage and to plan on imports and exports without worrying about losses due to future exchange rate fluctuations and without having to hedge in forward markets.

Adopting a cooperative economic and monetary policy framework will provide benefits associated with common currency and trading standards. As the deadweight loss of using different currencies vanishes, competitive pressures would increase and consumers would gain. Economic benefits can overcome non-economic barriers such as cultural and historical animosity and socio-political aspects.

A prime example is the common currency, the euro. Asian counties could derive an important lesson from the European experience: it has indeed been beneficial to strengthen financial cooperation for maintaining the stability of regional currencies. The East Asian economies could also learn from the European Union's regional surveillance and policy coordination process so as to enhance the effectiveness of economic policy and financial apparatus within the East Asian economies.

Creating a common Asian currency administered by a supranational central bank, East Asian monetary union could serve the unification mechanism for their monetary policies. For example, European Monetary Union (EMU) was established in 1999, when the European Central Bank assumed responsibility for monetary policy management for 11 member states, through the introduction of the euro, the official currency of the EMU. The Euro has become one of the main pillars of economic and monetary integration. The EMU required institutional arrangements for exchange rate stability and convertibility as well as an integrated capital market, unified monetary policy, pooled foreign exchange reserves, and an external common exchange rate.

The EMU has improved economic efficiency through lowering transaction costs of exchanging one currency for another, stimulating competition and facilitating the broadening and deepening of European financial markets. Switching into a new currency was extremely difficult, nevertheless, the EMU has been mainly concerned with establishing a sound macroeconomic framework: 1) price stability; 2) sound public finances, 3) low interest rates, 4) incentives for growth, 5) investment and employment, and 6) shelter from external shocks.[15]

The euro has realized more uniform prices, lower transaction costs, and greater certainty for investors, and led to enhanced competition. However, considering these positive aspects in light of the experience of the European Union, there would also be drawbacks for the East Asian region were it to follow along the same path. One of the main disadvantages of monetary union is that it implies that countries are going to lose the use of monetary policy and the exchange rate as a tool in adjusting to inflation and external shocks.

This commitment could, in turn, induce the private sector to engage in greater international trade. Or perhaps hedging exchange rate risk might be much more difficult than commonly believed. Alternatively, the common currency could induce greater financial integration, which then would lead to stronger trade in goods and services.

The very fact that East Asian countries have had more diversified economic systems that interacted in a highly unsystematic way is reason enough to consider this to be a logical region to conceive of a common currency, according

15 See "Create a Common Asian Currency by 2025" by Norbert Walter, *International Herald Tribune/Asahi*: May 12 2003.

to a number of theoretical studies.[16] If a common Asian currency became a reality, the East Asian countries could enjoy zero tariffs, leading to a more consolidated, competitive economy, and could also help the region avoid the impact of fluctuations in the U.S. dollar and euro.

China, Japan and Korea accounted for 91.6 percent of East Asia's GDP and 69.2 percent of East Asia's trade volume in 2000. The greater the importance of each country's trade within the region, the larger could be the benefit from the abolition of multiple currency-related transactions costs consisting largely of currency exchange and currency risk-related cost to member countries. The combined shares of China, Japan and Korea in East Asia's total inward investments and outward investments were 81.1 percent and 83.8 percent in 2000.[17]

Intra-East Asian trade has grown faster than the region's trade with the rest of the world, and more than half of Asian trade today is among countries within the region (see Table 3).[18] East Asian companies would become more competitive in terms of cost and prices under a common currency. Increased trade is one of the few undisputed gains and economic benefits from a common currency. The main rationale for a common Asian currency is derived from the fact that trade tends to

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16 See Bayoumi, T. and B. Eichengreen. "Hanging Together? on Monetary and Financial Cooperation in Asia." Mimeo, University of California at Berkeley, 2001; Eichengreen, B. and T. Kawai. "Is Asia an Optimum Currency Area? Can It Become One?" *Regional, Global and Historical Perspectives on Asian Monetary Relations in Exchange Rate Policies in Emerging Asian Countries,* edited by Stegan Collignon, Jean Pisani-Ferry, and Yung Chul Park, 1999.

17 Empirical data and Rose's study depict clearly that a common currency would bring about deepening and expanding trade in the region. See "Do Currency Unions Increase Trade? A Gravity approach? by Andrew K. Rose, *Federal Reserve Bank San Francisco Economic Letter,* February 4. 2000; See also World Economic Outlook, Third quarter, 2001 and World Investment Report, 2001

18 As of 1997 intraregional trade in East Asia was around 48%, compared to 59% in the European Union.

be regional, and as a consequence the region has lost disproportionately from trade disruptions caused by currency crises in the past.

<Table 3> Intra-trade East Asian Countries Trade

(US$ in billions, %)

	Japan	NICS*	ASEAN**	China	Total
1980	29.3 (20.7)	29.7 (43.3)	16.4 (42.0)	6.4 (32.8)	81.8 (30.5)
1985	29.9 (22.9)	40.4 (46.4)	17.0 (45.7)	21.1 (49.6)	108.4 (36.5)
1990	54.0 (23.0)	105.8 (48.0)	45.0 (46.1)	25.5 (47.4)	230.3 (38.1)
1995	101.2 (30.1)	243.8 (53.9)	108.6 (49.3)	57.3 (43.4)	510.9 (44.8)
2000	105.1 (31.0)	254.3 (52.3)	106.1 (47.6)	62.8 (44.1)	528.3 (40.0)
Increased 80~90	24.7 (16.6)	76.1 (51.2)	286 (19.3)	191 (12.9)	148.5 (100.0)
90~200	51.1 (17.1)	148.5 (49.8)	61.1 (20.5)	37.3 (12.5)	298.0 (100.0)

Source : The International Monetary Fund

A common Asian currency would enable the East Asian region to develop more sophisticated domestic financial markets and financial institutions. If the huge reserve assets of East Asian funds were reinvested within the region, the enormous stimulatory effects would: create increased demand for financial assets, encourage more domestic investment, create more employment opportunities, and lead to higher levels of incomes and consumption through the phenomenon of the multiplier effect. East Asian financial institutions could also gain updated financial techniques by gaining experience of portfolio management involving risk assessment and financial derivatives.

The financing system in East Asia has been changing from a system that was based on indirect financing through banks to one that is based on direct financing through capital markets. The change was made through two channels: the first channel was through the restructuring of corporations and financial institutions, and the second channel was through the equity market. Corporations which relied on debt financing were forced to cut their debt-to-equity ratio, and the restructuring of financial institutions helped to cut the traditional ties between the corporations and the banks.

For greater integration of a goods and services market among the East Asian countries, efforts towards increased intraregional trade and foreign direct investment liberalization should be accelerated. An integrated capital market should be established to mobilize regional savings for regional investment. On the monetary side, countries in the region would have to give up independent monetary policy and be subject to a single authority, while on the fiscal side, they would have some leeway in fiscal policy, but within certain overall agreed limits; it would be expected that autonomous decision-making would give way to enhanced regional policy dialogue in the interests of realizing the benefits of macroeconomic policy coordination.

An integrated capital market may be a mixed blessing for some however, as it opens up individual countries in the region to large-scale capital movements. What is important is that the extent to which such capital movements are destabilizing depends largely on the strength of a country's financial system and the soundness of its economic policies that are under the control of government. The market is the best tool for determining how money should be invested. Global capital markets provide needy countries with funds to grow, while allowing foreign investors to diversify their portfolios. If capital is allowed to flow freely, markets will reward countries that pursue sound economic policies and pressure the rest to do the same.

A common Asian currency would set prices for corporate and government bonds of the East Asian countries. In Europe, the absence of foreign-exchange risk has been a boon for government and corporate bond markets, while by contrast, the bond markets in the East Asian countries have continued to remain a major weakness in global financial markets, as was demonstrated during the Asian currency crisis. Restructuring of the banking systems and establishing viable capital markets in these countries will help to lay the foundations for industrial expansion in order to realize solid economic growth in the future.

Because of underdeveloped domestic bond markets, foreign capital inflows from advanced industrial countries to East Asia have been mostly channeled through the banking sector, which is inevitably susceptible to bank runs in a period of financial crisis. In contrast to the Chiang Mai Initiative, which was a temporary measure for resolving liquidity problems that countries were experiencing because of short-term international payments imbalances, a common Asian currency would make a borrowing country more averse to defaulting on its debt obligations.

A common Asian currency also eliminates exchange rate volatility and reduces the transactions costs of trade within its member countries, resulting in more competitiveness and expanded trade. The European experience of the euro should provide a useful lesson on how to create an East Asian single currency. Greater synchronization of business cycles between regions requires the East Asian countries to have solid, stable monetary arrangements in conducting cross-border business transactions and financial cooperation. Under the co-existence of the U.S. dollar and the euro, a common Asian currency would enable the region's financial markets to better emulate Western capital markets, so as to enhance investment funding and financing for industrialization for stable economic growth, through the dynamic equilibrium mechanism of a common currency in a system of checks and balances provided by an integrated monetary policy.

Creating a single currency reduces "currency risk," which is the risk that the value of debt obligations would change due to fluctuations in currency values. There is a need for the voice of the East Asian countries to be heard more at the international level; a call for foreign exchange transactions in the region be carried out between Asian currencies ? and not always through the dollar ? in order to eliminate the risk associated with the time-zone differences with the U.S. affecting the trading times of international capital and currency markets, thereby averting dramatic fluctuations caused by currency speculation.

CONCLUSION

East Asian regional financial cooperation has been taken a step forward in a network of swap arrangements involving Korea, China, Japan and ASEAN committing to assist each other in the area of foreign exchange reserve management. In contrast to the Chiang Mai Initiative, as discussed previously, a common Asian currency would make a borrowing country more averse to defaulting on its debt obligations, and thereby diminishing the risk of moral hazard. The East Asian countries have been coordinating monetary policies to cope with possible crises in the future and prevent speculative activities.

Since the linkages between currency and trade were clearly observed, a regional monitoring system has become an important arrangement for the stability of currency and trade. Consequently, these countries have installed a risk-management system to prevent such a crisis like the Asian crisis of 1997~98 from happening again. Creation of an East Asia Free Trade Area has also been discussed, while businesses in the region are also ready to accommodate the principles of pro-competition and economic rationalism; they have learned about managing the risks inherent in the international economy, without depending on favoritism and government bailouts.

Countries in the region have begun to seriously consider the creation of a regional economic institution since the financial crisis; establishing an AMF is seen as a natural evolution following on from the events of that time. However, the IMF, the U.S. and China led a movement to quench the proposal of an Asian Monetary Fund on the ground that crisis-hit countries in the East Asian region might bypass the conditionality of the IMF and might receive so-called "easy money" from the AMF.

Granted there are serious economic and political constraints to the creation of an Asian regional institution. Huge disparities in the level of economic development among the countries themselves would make it more difficult for them to form some type of regional trade arrangement let alone create some type of regional financial institution. The deficiencies in East Asian economic organization are real and have to be corrected if the region is to prosper in an increasingly global economy. It is significant and timely to consider creating a common Asian currency for regional monetary coordination, in order to have a desirable exchange rate system that can cope with any possible currency crisis for the East Asian countries in the long run.

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<Appendix1> GDPs and Free Trade Areas of the World's Major Economies

Grade	Country	GDP (billion dollars)	World Share	Participating FTAs
1	USA	7,341.9	25.7%	NAFTA
2	Japan	4,599.7	16.1%	
3	Germany	2,353.2	8.2%	EU
4	France	1,540.1	5.4%	EU
5	Italy	1,207.7	4.2%	EU
6	United Kingdom	1,145.8	4.0%	EU
7	China	815.4	2.9%	
8	Brazil	748.9	2.6%	MERCOSUR
9	Spain	581.6	2.0%	EU
10	Canada	579.3	2.0%	NAFTA
11	Korea	484.8	1.7%	
12	Russia	440.6	1.5%	CIS Economic Union
13	Australia	392.5	1.4%	ANZCER
14	Netherlands	392.4	1.4%	EU
15	India	356.0	1.2%	SAPTA
16	Mexico	334.8	1.2%	NAFTA
17	Argentina	294.7	1.0%	MERCOSUR
18	Switzerland	293.4	1.0%	EFTA
19	Taiwan	272.3	1.0%	
20	Belgium	264.4	0.9%	EU
21	Sweden	250.2	0.9%	EU
22	Austria	226.1	0.8%	EU
23	Indonesia	225.8	0.8%	AFTA

Grade	Country	GDP (billion dollars)	World Share	Participating FTAs
24	Thailand	185.0	0.6%	AFTA
25	Turkey	181.5		EU association agreement, FTA with EFTA
26	Denmark	174.2	0.6%	EU
27	Norway	157.8	0.6%	EFTA
28	Hong-Kong	154.8	0.6%	
29	Poland	134.5	0.5%	CERTA
30	Republic of South Africa	126.3	0.4%	SADC
	Subtotal	26,255.8	91.9%	
	World	28,583.7	100.0%	

Source : World Bank, World Development Indicators, 1998.

RIDING INTO THE SUNSET: THE POLITICAL ECONOMY OF BICYCLES AS A DECLINING INDUSTRY IN KOREA

HUN JOO PARK AND YEUN-SOOK PARK
KDI School of Public Policy and Management

ABSTRACT

This paper investigates the causes underlying the tragic story of the demise of Korea's bicycle industry, from one that appeared to be as competitive as Taiwan's up until the early 1970s to its almost complete dissolution and collapse. Whereas Taiwan went on to overtake Japan as the world's number one bicycle exporter by 1980, Korea's bicycle industry peaked in the late 1980s without ever reaching its maturity both in terms of export and production performances and then hopelessly declined to fall apart by the late 1990s. This paper examines three key causal factors: Samchuly-Kia's monopolistic complacency; Korea's industrial structure and the assembler-supplier relations; and the state's unbalanced and big *chaebol*-biased industrial policies. In so doing, it contributes to rethinking and redefining the role of government and industrial policy in managing so-called sunset industries.

Key Words: Bicycles, Sunset industry, Industrial upgrading, Small business, South Korea

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INTRODUCTION

What has motivated this research is the following puzzle: While the bicycle industry in Korea[1] remained at least as competitive and promising as that in Taiwan up until the early 1970s, the subsequent development trajectories of the two have dramatically diverged since then. Taiwan went on to overtake Japan as the world's number one bicycle exporter by 1980,[2] but Korea's bicycle industry peaked in the late 1980s without ever reaching its maturity both in terms of export and production performances and then hopelessly declined to fall apart by the late 1990s.

The premature collapse of Korea's bicycle industry is also striking in comparison to the more normal development trajectories of Korea's other labor-intensive industries such as textiles and footwear. Korea's textile and footwear industries enjoyed no less prominent export shares of the US market than Taiwan's through the 1970s and 1980s. Even after they became labeled as sunset industries, they kept making just as considerable contributions to their nation's economy in terms of exports and employment as was the case in Taiwan. As of 2000, for instance, the textile industries in Korea and Taiwan still accounted for ten and nine percent of the world's trade share, respectively.[3]

How then does one explain the puzzle? From a market perspective, like the new global division of labor approach, the "natural logic of the market" is supposed to explain the rise and fall of labor-intensive industries: The industries

1 Korea means South Korea, unless otherwise noted.

2 The number of Taiwan's bicycle exports was surpassed by that of China's in the mid-1990s, but it was Taiwanese firms in China that were responsible for the rise of China's bicycle production. More importantly, Taiwan still kept its position as the world's number one bicycle exporter in terms of total value output. Chen (2002), pp.112 & 234.

3 Korea's Ministry of Commerce, Industry, and Energy's website at http://www.mocie.go.kr.

enjoy growth and expansion only as long as they keep labor costs down and maintain competitiveness (Frobel, Heinrichs, and Kreye 1981; Balassa, et al. 1982; Corbo, Krueger, and Ossa 1985; Thomson 1998). Yet this systemic and international level approach cannot explain why the bicycle industries in Korea and Taiwan have taken radically different development paths.

At the nation-state level of analysis, the dirigiste coalition politics approach provides a competing explanation that better captures why Korea and Taiwan have gone through different development trajectories that have respectively led them to maintain widely divergent industrial structures (Park 2001). The approach goes beyond developmental state arguments (Johnson 1982; Johnson 1987; Amsden 1989; Wade 1990; Evans 1995) in examining the political causes underlying the variation between Korea's weak and underdeveloped small and medium enterprises (SMEs) and Taiwan's flourishing ones as the major employers and exporters. It contends that the variance comes from the differences in the two governments' *dirigiste* development strategies and the formation of societal support coalitions. However, Korea's choice of an unbalanced, big business-oriented development strategy falls short of perfectly explaining the performances of its textile and bicycle industries which have varied in spite of the same national context.

In order to fully understand the government-business and assembler-supplier relations at variegated industrial sectors, therefore, this paper not only moves further down to the industry-level of analysis. But it also goes beyond different variants of structural models (international structure or free market constraints) and various types of technocratic, developmental state theories. Both types have a strong overlay of determinism, but the development trajectory is actually not something predetermined, rather it is a result of choice of one set of possibilities (Park 2004). Building on the *dirigiste* coalition politics approach, therefore, the paper investigates how national development strategies are played out at the micro-, industry-level.

By focusing on the industry-level social processes and institutions, the present paper contributes to rethinking and redefining the role of government and industrial policy in managing so-called sunset industries, perhaps an ever-increasing fact of life in the globalizing international economy. It goes without saying that focusing on Korea's bicycle industry brings another analytical merit: the sunset industry offers a full spectrum of the life-cycle of growth, maturity, trouble and decline so that we can better assess the state-society interactions over the entire life-cycle.

The next section outlines the key argument of the paper in brief. Section III presents a synoptic history of Korea's bicycle industry. In an effort to understand the puzzling underdevelopment of Korea's bicycle industry, section IV examines the causal actions and motivations of Samchuly-Kia,[4] the company at the center of bicycle manufacturing in Korea during the critical decades of the 1960s and 1970s. Section V looks at Korea's industrial structure and the relationship between its bicycle assemblers and parts suppliers as another set of causes of the underdevelopment, while the section that follows investigates such causal factors as the role of the state in Korea and its big-push strategy of industrial expansion underlying the puzzle. Section VII reflects upon the causes and recaps the key arguments, drawing some policy implications.

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[4] Kia (previously Kyongsong Precision from 1944~1951) was the official company name that produced Samchully bicycles from 1952~1978. Kia, which started its operation in 1944 in bicycle manufacturing business, began to invest its capital accumulated from the bicycle industry into its automobile manufacturing division starting in 1952. Samchuly separated itself from Kia and became an independent, exclusively bicycle manufacturing company in 1979. For the sake of simplicity and clarity, however, by Samchuly this paper means Kia's bicycle division, whereas by Kia it refers to Kia's automobile division, unless otherwise noted. See Kia (1989).

THE ARGUMENT IN BRIEF

In Beyond Late Development, Amsden and Chu stress upscaling as the key to industrial upgrading: The continued industrial competitiveness and development of latecomers such as Taiwan and Korea presumably depend on how successfully they shift from mid-tech, if more labor-intensive, to high-tech sectors (Amsden and Chu 2003, p.1). Even in Taiwan, according to Amsden and Chu, the successful pioneering of high-tech industries in the 90s came not from its otherwise prominent networks of small, vibrant firms, but from large-scale, nationally owned companies (Ibid.). Since the technological level of many high-tech products often becomes *"mature"* by the time latecomers produce them for the international market, latecomers need big businesses to be able to exploit economies of scale and thereby to become second movers in the mature high-tech sectors (Ibid., pp.7~8. emphasis original).

To the extent that upgrading is upscaling, Korean industries in general have fared superbly and probably more dramatically and miraculously than any other country's including Taiwan's. Practically from scratch, Korea built up low-tech, light and labor-intensive industries and then shifted to mid- and high-tech sectors in less than four decades. It did so chiefly by selecting a rather small number of big entrepreneurs who carried out developmental orders as agents of the state and in return received privileged access to investment credits and the largely monopolistic or oligopolistic domestic market.[5] For instance, the Korean government's heavy and chemical industrialization (HCI) plan, which targeted six industries for investment (steel, petrochemicals, machinery, nonferrous metals, electronics, and shipbuilding), allocated a total of $9.6 billion investment capital for the HCI sector between

[5] Even as of 1990, the share of monopolies and oligopolies in Korean manufacturing remained high at 81 percent in terms of number of products and 64 percent of total sales volume. Cha and Kim (1995), p.397.

1973 and 1981 (HCIPC 1973; Lee 1991). One can easily see the magnitude of the investment drive when compared to the country's GNP of $10.6 billion in 1972.

Upscaling surely constitutes one way to industrial upgrading, but only one possible way, and from the perspective of a national economy it offers a partial solution at best. It is so because regardless of the level of capital intensity or technological superiority, creating higher-value added is as important to industrial upgrading as upscaling. As Chen succinctly summarizes:

high-technology industries also involve activities that utilize low technique such as repetitive assembly, and labor-intensive industries may include links that require sophisticated skills such as product design, prototype development, or global logistics management (Chen 2002, p.70).

In fact, for instance, the districts of supposedly traditional, mature, and labor-intensive industries such as apparel and footwear in Northeastern Italy and textiles and auto parts in Southwestern Germany continue to make significant and respectable contributions to the prosperity of their respective nations' economies.

Against such a backdrop, it is important to note that Korea's heavily big business-biased political economy has been sorely suffering from the persistent problem of a pronounced gap or imbalance in industrial competitiveness between big business conglomerates known as chaebol and low-tech, labor-intensive small supplier firms (See Korea Development Institute 2003). For instance, the share of the five largest companies in the country's net manufacturing profits recorded 33 percent as recently as 2003, while the equivalent figure for all SMEs as a whole merely totaled 28 percent (Korea Development Bank Research Bureau 2004).[6] As a consequence, it is not too surprising that the Korean

[6] As another sign of the underdevelopment of its small suppliers, Korea imported 28 percent of input to produce one unit of output in 1985, as opposed to seven percent of input for Japan. Song (1990), p.121.

system of political economy has been subject to recurrent instability. Korea's 1997 economic crisis, which forced the nation to beg for a $58 billion IMF bailout package, in fact, represented only the latest manifestation of the problem of faulted industrial structure (Park 2002).

While Korea suffered negative GDP growth of 5.8 percent in 1998 in the wake of the 1997 Asian currency and financial crisis which spread like wildfire throughout the region, on the other hand, Taiwan escaped it largely unscathed, maintaining a healthy 4.6 percent GDP growth rate even in 1998. The contrasting outcome of the crisis in Taiwan stemmed at least in part from the presence of its dynamic, export-oriented SMEs as well as its modernization strategy of sustaining macroeconomic stability, barring the rise of big private capitalists and practicing strict financial conservatism (Ibid.; Heo and Tan 2003).

Reflecting the general strength of Taiwanese SMEs, even the country's sunset industries have, in fact, done very well in industrial adjustment and rationalization even in the face of rapidly rising labor costs and local currency appreciation since the late 1980s. The bicycle industry in Taiwan, for instance, has remained highly competitive especially in high value-added products despite the rise of mainland Chinese competitors. Taiwanese bicycle firms have not only successfully eased resources out of the production of low value-added products by relocating them to China, but also maintained those of relatively high-tech and high value-added items at home. For instance, Taiwan remained the number one exporter to the United States bicycle market until as recently as 1994: in that year, Taiwan's bicycle exports to America still amounted to over $323 million, controlling 62 percent of the market, which was almost double the amount of China's total exports to the U.S (Chen 2002, p.117). By then, in contrast, Korea's bicycle industry was practically melting down, with its bicycle assemblers shrinking to the status of mere merchants for the domestic market, and its parts and components manufacturers reaching a complete breakdown point. The next section summarizes the rise and premature fall of the bicycle industry in Korea.

A SYNOPSIS OF THE BICYCLE INDUSTRY IN KOREA

Much like its Taiwanese counterpart, the bicycle industry in Korea underwent an import substitution stage in the 1950s, where the government prohibited imports of bicycles and some key parts to promote the local production of bicycles (See Chu and Li 1996). Although the Korean government started to promote an export-oriented industrialization (EOI) policy in the early 1960s, neither the output nor export performance of the bicycle industry changed much through the 1960s, in contrast with the Taiwanese case where exports started to grow along with production figures in the late 1960s (See Table 1 below). The seemingly slight difference or edge that Taiwan began to have in exports over Korea in the late 1960s turned into a marked disparity in industrial performance by the 1980s.

〈Table 1〉 Export Output Levels of Bicycles: Korea and Taiwan

(Unit: thousand sets)

Year	Korea		Taiwan	
	Export	Output	Export	Output
1965	N/A	150	2	N/A
1966	N/A	180	0	N/A
1967	N/A	148	5	N/A
1968	N/A	171	17	107
1969	N/A	197	85	184
1970	4	214	107	217
1971	35	244	270	394
1972	120	384	1,051	1,192
1973	252	542	1,313	1,463
1974	109	674	866	1,026

Year	Korea		Taiwan	
	Export	Output	Export	Output
1975	172	627	814	981
1976	302	770	1,519	1,709
1977	359	1,024	1,745	1,955
1978	389	1,318	1,848	2,088
1979	244	943	2,204	2,464
1980	299	776	2,979	3,257
1981	276	834	3,338	3,632
1982	231	847	3,210	3,515
1983	150	767	5,058	5,390
1984	379	917	6,329	6,700
1985	479	938	7,442	7,834
1986	789	1,350	10,239	10,681
1987	1,704	2,237	9,686	10,185
1988	2,117	2,842	7,152	7,684
1989	1,226	1,859	8,892	9,463
1990	849	1,534	9,380	9,975
1991	543	1,525	10,686	11,328
1992	424	1,265	9,678	10,354
1993	N/A	N/A	8,621	N/A
1994	N/A	N/A	8,752	N/A
1995	284	1,045	9,064	N/A
1996	156	835	9,503	N/A
1997	119	762	8,826	N/A
1998	139	619	N/A	N/A
1999	120	670	N/A	N/A
2000	75	658	N/A	N/A
2001	54	629	N/A	N/A
2002	38	624	N/A	N/A

Source: Compiled from Chu and Li (1996, p.41); The Korea Bicycle Industry Association (KBIA), internal statistical data; and Chen(2002).

As detailed in the fourth section below, Samchuly as Korea's predominant bicycle assembler was a prime example of the country's failure to prepare its bicycle industry to face competition from the international market. Initially established in 1944 as a bicycle parts manufacturer which also primitively assembled some bicycles with recycled parts, Samchuly succeeded in the domestic production of Korea's very first complete bicycle in 1952. Samchuly started to export to the U.S. in 1965, with its total export value to the U.S. reaching over $1 million by 1969 (Kia 1989; *Bicycle life* 2003, pp.112). Still, Samchuly remained too content with exploiting the domestic, monopolistic and highly profitable market to plunge into cutthroat export market competition.

As a consequence, Samchuly failed to exploit the excellent export market opportunities of the 1970s to the full, in contrast to Taiwanese firms. Thanks in part to the expansion of the main customer base to include adults as well as kids and also in part to the oil shock of the 70s, in fact, the demand for bicycles in the U.S. market doubled from 5 million sets in 1970 to 10 million in 1973 (Chen 20002, pp.83~93). As U.S. domestic production could not keep up with the increased demand, its imports increased by over 3 million sets during the same period (Chu and Li 1996, pp.40). Despite the dramatic surge in the US demand during the 1970s, however, Samchuly's exports and thus Korea's bicycle production grew only modestly (See Table 1 above).

In stark contrast to the Taiwanese case, the Korean bicycle industry remained oligopolistic, if not monopolistic. A few late starters followed Samchuly, but the number of assemblers remained at around four at any given point in time. One of the two medium-sized assemblers that entered the market in the 1970s was Sunkyung, a *chaebol* which had accumulated its wealth in synthetic fiber and which was diversifying into other industries. The main reason why Sunkyung entered the bicycle industry by taking over a small bicycle manufacturer was to acquire one of the handful of lucrative general trading company (GTC) licenses from the government.[7] Big business conglomerates scrambled for the licenses because the government offered the selected GTCs virtually unlimited access to extremely cheap export loans and privileged, exclusive rights to import certain, highly profitable products for the protected domestic market. In its bid to obtain a GTC status in 1976, Sunkyung not only had to meet the total annual export requirement of $100 million, but also carry at least seven manufacturing products of its own with an export value of over $500,000 each (Lim 1997, pp.140; Kim 1987, ch.4). Partly reflecting the so-called "birth defect" mentality, the top management of the Sunkyung group remained less than fully committed to its bicycle subsidiary and thus soon sold it to one of its employees; the off-loaded subsidiary had fizzled out by the early 1980s.

Another challenge to Samchuly's predominance came from Corex, which having been founded in 1980 became Korea's second largest bicycle assembler by 1984.[8] Given Samchuly's practical monopoly over the domestic market, Corex pursued an export-driven growth strategy. It started out as an original equipment manufacturer (OEM) after buying a bankrupt Japanese-owned bicycle manufacturer in the Masan Free Trade Zone, which had assembled Japanese knocked-down kits for the North American market. Corex differentiated its products from Taiwan's low-end products by using higher-quality parts and components imported from Japan. In 1984, it became a star exporter of bicycles by landing a vendor contract with Sears' department stores in the United States. Another huge boon to Corex came in the form of a joint venture offer from Murray Ohio in 1986, then one of the top

7 Authors' interview with a former key Sunkyung employee who had been involved with its bicycle manufacturing subsidiary, June 18, 2004, Daegu, Korea.

8 The following section on Corex draws on the authors' interviews with its officials at its headquarters in Kyunggi province, Korea, on November 27, 2003.

American bicycle manufacturers.

Thanks to the publicity and media exposure that Corex attracted, the Korean government and especially its Ministry of Commerce and Industry became highly supportive of Corex and the bicycle industry. The government helped the joint venture company with Murray Ohio set up a bicycle industrial district in Changwon, Kyungnam province, within which Corex's joint venture established an assembly facility with a maximum production capacity of 2 million sets. About one-half of the district was designed to be allocated to bicycle parts and components manufacturers so that Corex could nurture and upgrade its own suppliers.[9] Corex's assembly line in Changwon went into operation on December 1, 1987, and in that year, Corex had already surpassed Samchuly as Korea's number one bicycle exporter. Its 1987 export figures jumped to 805, 887 sets from 285, 250 sets of bicycles in the previous year, while Samchuly's 1987 exports recorded 509, 873 sets.[10] Ironically, however, 1987 proved the beginning of Corex's precipitous downfall.

The June 29, 1987 declaration which allowed Korea's first direct presidential election in 16 years, the onset of the subsequent process of democratization and the resultant explosion of labor unrest posed deep troubles for Corex' management. As was more or less the case with other assembly firms in Korea, Corex ran on rather thin operating margins of no more than one to three percent of its total sales turnover. Thus the ten-plus percent hike in labor costs as well as the

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9 Although a sort of a bicycle industrial district was formed in Daegu in 1985 by Sunkyung's initiative, the Changwon industrial district represented the first full-fledged one, set up in 1987 to promote close cooperation between the assembler and its suppliers with the government's full support. Samchuly followed the practice and tried to set up its own in Daegu in 1990.

10 Internal statistical data from the Korea Bicycle Industry Association (KBIA); authors' interview with its officials on February 26, 2004 in Seoul, Korea.

costly process of resolving an internal labor conflict issue, from which Corex had to suffer in the wake of the labor unrest, put quite a heavy financial burden on the company.

Making the already bad situation worse, a far more momentous external shock came to Corex towards the end of 1988 while it was still reeling from its internal management problems: Murray Ohio had been sold to a British company in March 1988, and in October 1988 its new management abruptly notified Corex of its complete divestiture from the joint venture. Corex desperately tried to survive the shock by restructuring and closing down the Masan plant, by shifting from a mass to a flexible production system of making more diverse products in smaller batches, by starting to sell its bicycles in the domestic market, and by diversifying beyond the North American market, especially into Western Europe with higher value-added products. However, the survival efforts could only go so far. Simply put, the rate of increase in Corex's domestic sales could not make up for the rate of decrease in its exports. Then there came yet another shock from the international market: With the rather abrupt and unexpected end of the General System of Preferences (GSP) in the European Union market in 1995 - just as the already troubled Korean bicycle assembler turned to the region as its major export market, Corex could no longer benefit from the 17 percent tariff reduction as part of the GSpp.When push came to shove with the 1997 financial crisis in Korea, Corex had no other option than filing papers for bankruptcy at the district court.

In retrospect, Corex's entry to the bicycle industry seems to have been rather belated-possibly by nearly ten years. For sound and long-term growth of the assembly industry, the presence of networks of vibrant and competitive parts and components suppliers was essential. Unfortunately, in 1980 or in 1986, Corex had neither such a blessing nor the wherewithal to nurture it. The company thought its joint venture with Murray Ohio would finally give it a sufficient economy of scale to develop and nurture competitive suppliers of its own. Corex's rise, however, while it was indeed meteoric, turned out to be only short-lived.

The fall of Corex practically ushered in the end of the bicycle industry in Korea. China had been fast becoming a new center of bicycle production since the late 1980s. Particularly the rush of cheap, imported bicycle parts from China to Korea began to drive the breakdown of Korea's parts industry in the 1990s. Even such an established company like Samchuly, which at its peak had had 60 supplier firms under its own wing, had only 15 subcontractors by 2000. Those suppliers that were competitive and technologically equipped had shifted to other industries such as auto parts, and others had simply folded upp.Those companies that survived merely produced either various replacement parts or such basic accessories as horns and plastic baskets. As of 2003, 20 bicycle parts manufacturers were registered with the KBIA, but our research found that only seven of them were barely eking out their livelihoods.[11]

Samchuly itself had closed its factory in Korea by 2001 and established a joint venture in China to assemble bicycles for the Korean market. Its headquarters in Seoul only takes care of design, development and marketing (*Bicycle life* 2003, pp.110~115). Corex, still reeling from the aftershocks of its 1999 bankruptcy, maintains a modest office in Kyonggi province and places OEM orders with China, which are also for the Korean market. Having failed to develop their own brand names or technological know-how to produce top-quality bicycles, Korean assemblers hopelessly degenerated into the ignoble status of mere merchants, solely depending on the lackluster domestic market.

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11 Authors' interviews with all of the major former and current bicycle assemblers and their suppliers from Fall 2003 to Summer 2004.

SAMCHULY–KIA IN THE 1970s: MONOPOLISTIC COMPLACENCY AMIDST THE COMPANY'S SHIFT IN BUSINESS PRIORITIES

This section focuses on Samchuly in the 1970s, as the 1970s may well have been the critical juncture where Samchuly could have helped make a "slight difference" or create an advantage for the long–term development of Korea's bicycle industry. As shown in Table 1 above, the bicycle output levels of Korea and Taiwan were on a par with each other at around a little less than a quarter million sets in 1970. By 1980, however, Taiwan churned out well over three million sets of bicycles, while Korea produced way below one million sets. The differences in export levels proved more revealing and momentous. In 1970, the bicycle industry's exports in Korea remained at a meager level of four thousand sets despite its earlier development than that in Taiwan, whereas Taiwan's export figures had already reached over one hundred thousand sets by then. After a decade, Korea's bicycle exports numbered no more than 300,000 sets, while Taiwan exported almost three million sets (See Table 1).

Samchuly's predominance was unquestionable in the Korean market in terms of its superior technology, brand recognition, and market share. Throughout the 1970s and 1980s, it controlled over 65 percent of the market.[12] Accordingly, Samchuly exerted an enormous influence on the KBIA. Kim Chul Ho, Samchuly's founding owner, assumed the first presidency of the KBIA in 1953, and subsequently its CEOs or board members occupied the industry association's key positions. Although the association was not as powerful as that of more export–oriented and prospering industries such as textiles, it stayed quite influential during the industry's heydays by virtue of its government–mandated control over the right of export recommendation

[12] Samchuly's market share still reaches about 50 percent today. *Bicycle Life* (2003, p.115).

and entry barriers that effectively discouraged newcomers in the industry.[13] Samchuly also enjoyed a firm and frequently exclusive control of its suppliers.

Samchuly's predominant market position surely came under the purview of the government's so-called fair trade laws. However, the Price Stabilization and Fair Trade Act of 1975, as practiced, failed to prevent excessive concentration of economic power or abuse that stemmed from predominant market positions. The 1975 law enforced only its price stabilization part,[14] and the bicycle industry represented no exception. The government tightly regulated the prices of bicycle products, but Samchuly could still indulge in the oligopolistic, if not monopolistic, market and thus be content with its lucrative business of domestic sales.

From Samchuly-Kia's perspective, an even better and more promising investment opportunity lay elsewhere: automobile production. In terms of aggregate sales, as shown in Table 2 below, the company's major products rapidly shifted from bicycles to automobiles from 1966. The share of the bicycle division plunged from 51 percent in 1965 to six percent in 1969, while that of the automobile division shot up from three percent to 57 percent during the same period. By the time the bicycle division separated itself from Kia in 1979, bicycle manufacturing accounted for only about one percent of the group's total sales. The statistics on exactly how much of Samchuly's financial resources had been funneled to Kia were not available, but many of our interlocutors concurred that the bulk of Samchuly's investment capital had gone to Kia, incurring a huge opportunity cost problem for the bicycle manufacturing division in terms of investing in new technologies and production facilities.[15]

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13 Up until the 1980s, exporting bicycles required the industry association's recommendation, the fees for which constituted the association's main source of income.

14 Authors' interviews with Samchuly officials on February 9, 2004, Seoul, Korea; Fair Trade Commission (1991).

15 Authors' field research from Fall 2003 to Summer 2004.

<Table 2> The Breakdown of Kia's Aggregate Sales by Product Lines

(Unit : Percent)

Year	Automobiles	Motor-cycles	Bicycles	Year	Automobiles	Motor-cycles	Bicycles
1965	2.8	9.9	51.0	1973	66.2	10.6	10.1
1966	21.7	13.7	46.3	1974	79.3	5.8	8.8
1967	45.5	19.6	21.6	1975	85.7	4.4	5.9
1968	48.2	29.9	13.6	1976	89.3	N/A	8.4
1969	57.0	28.5	6.4	1977	92.5	N/A	7.5
1970	58.3	24.0	8.0	1978	94.7	N/A	5.3
1971	54.7	24.8	8.5	1979	98.6	N/A	1.4
1972	58.9	15.2	13.1	1980	100.0	N/A	N/A

Source: Kia(1989, p.263.)
Note: The Motorcycle division established a separate, independent company in 1976.

Samchuly-Kia's relative negligence of its bicycle manufacturing division also had a negative spillover effect on its parts and components suppliers. As some bicycle parts suppliers also produced automobile and motorcycle parts, the more competitive and technologically superior ones shifted their business focus to the latter. For instance, Kyungchang and Samrip used to be two of the largest and most successful bicycle parts suppliers, manufacturing brakes and headlamps for Samchuly, respectively. Starting in the 1970s, however, Kyungchang began to manufacture various cable systems for automobiles, while Samrip produced automobile lamps; now both companies have long been out of the bicycle industry.[16]

[16] Ibid.; see especially those interviews with officials at Kyungchang Industrial Corp. on November 26, 2003 and June 18, 2004 in Daegu, Kyungbuk province.

THE INDUSTRIAL STRUCTURE AND THE ASSEMBLER-SUPPLIER RELATIONS

In addition to the problem of what Samchuly did or did not do, the differences in industrial structure constitute another critical factor in explaining the relatively low performances of Korea's bicycle industry vis-á-vis Taiwan's. As mentioned earlier, Samchuly enjoyed an almost monopolistic market in Korea especially during the early development phase of the industry, whereas Taiwanese bicycle firms lacked a sizable, let alone monopolistic or oligopolistic, domestic market to rely on (Chu and Li 1996, pp.44). Nevertheless, the presence of numerous, robust, and especially export-oriented small firms better equipped Taiwan's bicycle industry to exploit the United States market opportunities when they came in the 1970s. By making the most of the opportunity created by the surge in the market demand for bargain-priced imports, as noted earlier, Taiwan's bicycle industry became a star exporter of the 1970s and went on to overtake Japan and claim leading position in bicycle exports by 1980.

As Table 3 below shows, the number of firms in the bicycle industry in Korea essentially stagnated and declined. The total number of enterprises in both bicycle assembly and parts manufacturing sectors peaked at 89 in 1970, up from 66 in 1965, but it had declined to 67 by 1990. In contrast, the equivalent figure for Taiwan steadily and rapidly increased to 1,307 by 1991, up from 255 in 1966. On the other hand, the average size of the firm in Korea's bicycle industry remained much larger than that in Taiwan's. As shown in Table 3, for instance, the average number of employees per Korean firm varied between 40 and 50 from 1965~1990, except for 1970 or during the early 1970s. However, the comparable figure for Taiwan remained less than 27 throughout the same period. Clearly, the bicycle industry was no exception to the general historical pattern of a divergent industrial structure between Korea and Taiwan: big business-based vs.

small business-based.[17]

<Table 3> The Difference in Industrial Structure in the Bicycle Industry: Taiwan v. Korea

Year	Korea		Taiwan	
	No. of enterprises	Avg. no. of employees per firm	No. of enterprises	Avg. no. of employees per firm
1965	66	47.3		
1966			255	15.71
1970	89	27.37		
1971			279	16.0
1975	81	48.32		
1976			447	20.66
1980	74	52.58		
1981			541	17.98
1985	63	53.68		
1986			867	26.47
1990	67	41.63		
1991			1,307	23.45

Source: Chu and Li(1996, pp.42~43).

The bicycle industry in Korea basically consisted of a small number of assemblers and their small or petty suppliers, and the great majority of these small and financially weak parts and components suppliers never attained sufficient

[17] The same pattern existed in Korea's other labor-intensive, so-called sunset industries such as textiles and footwear. In the textile industry, for instance, big firms with 300 or more regular employees accounted for almost 70 percent of total exports in 1984; in the footwear industry, such big firms accounted for 87 percent of the total value-added in 1981. KDI (2003, p.547); Levy (1991, p.154).

economies of scale to gain necessary investment capital for significant improvements in technology, and quality standards, and so were unable to gain genuine independence from their vendor. Various estimates suggested that the industry needed a total production size of at least two million sets per year in order to develop and sustain a viable and competitive network of bicycle parts suppliers.[18] However, Korea's total output volume, not to mention that of a single assembler, remained far less than the required minimum for the long-term development of the parts industry, with the exception of only a few, if belated, years in the late 1980s (See Table 1).

Reflecting the general weakness of the bicycle parts suppliers, the relationship that they had with their assemblers remained largely exclusive and hierarchical. This seems to have been the case especially between market-predominant Samchuly and its suppliers. The average export ratio of Korea's parts and components manufacturers amounted to less than ten percent even after the early 1980s, whereas their Taiwanese counterparts historically constituted strong exporters (Chu and Li 1996, pp.44). According to the available statistical data from the KBIA, as a result, Korea has always been a net importer of bicycle parts and components with the exception of 1985, when the total value of exports unusually, if barely, surpassed imports by less than a million dollars.[19] With little export capacities of their own and thus weak bargaining positions, the parts suppliers in Korea did not have much choice but to depend abjectly on their respective assemblers; on the other hand, the assemblers, with their monopolistic or monopsonistic power frequently exacted compliance and

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[18] Authors' interviews with officials at Alton Bicycle Co. on November 17, 2003 and May 19, 2004 as well as with officials at Corex on November 27, 2003. See also *Japan Cycle Press*, (May 1985), p.25; cited in Chu and Li (1996, p.48).

[19] Internal data from the KBIA.

[20] Authors' interviews in Seoul and Daegu from Fall 2003 to Summer 2004.

subservience from their weak suppliers (Chen 2002, pp.136).

During our interviews with bicycle parts manufacturers in their respective company offices, none of the interlocutors explicitly accused the big assemblers of any unfair trade practices.[20] Most of them did not wish to express any bitter criticism of the way the assemblers treated them. Some of them even emphasized the mutually beneficial aspect of the relationship, which ensured that the suppliers could maintain basic profitability and that the assemblers could keep their costs of production down, barring extraordinary circumstances. Over dinner and drinks, however, many more or less acknowledged the existence of exclusive contracting relations between assemblers and suppliers. Samchuly in particular had taken advantage of its dominant market position and kept its parts suppliers more or less under its largely exclusive and relationship-ridden contracting practice. To be sure, the bargaining position of parts suppliers varied to an extent according to their competitiveness in terms of market share and technological level. But the fact that Corex, for instance, had to find and nurture its own domestic parts and components suppliers - apart from Samchuly's existing ones - in its effort to reduce its dependence on Japanese parts suggested that the assembler-supplier relations in Korea tended to be lopsided, hierarchical and exclusive.

Underlying the suppliers' dependency upon assemblers was the role of government policy. As was the case with the automobile parts manufacturing industry, where the Korean government discouraged imports of assembled cars while allowing tariff-free imports of components (See Biggart and Guillen 1999, pp.730~733), for instance, the government imposed different, if preferential, tariff rates on bicycle parts as opposed to those on complete bicycles. As of 1995, the tariff rate on bicycles parts was eight percent, while that on complete sets recorded 16 percent (see http://www.bicyclelife.net). Thus, the following section turns to the role of the Korean state in industry, as often the government's role can make or break particular industries.

THE MAKING OR BREAKING ROLE OF THE STATE

Chu and Li attribute the unsuccessful performance of Korea's bicycle industry to the lack of a big push on the part of the government: Had the Korean state picked its bicycle industry as a target of its big-push industrial policy in the 1970s, the industry might have been as successful as Taiwan's (Chu and Li 1996, pp.49~50). The Korean government, however, remained too preoccupied with funneling financial and other resources to chaebol-based EOI and HCI projects to generate any significant policy support for SMEs in general or bicycle manufacturers in particular throughout the 1970s. In its effort to achieve the nation's rapid industrial transformation, the government was just busy easing resources out of even such big business dominant and export-oriented sunset industries as footwear and textiles. It did so despite their continued, outstanding export performances: Although it peaked in 1970 at 41 percent of Korea's total exports, for instance, the textile industry's export share still remained at 11 percent as of 2001, compared to nine percent each for its automobile and semiconductor industry (Kim and Kim 1997, pp.324; http://www.mocie.go.kr). Against such a background, therefore, it was perhaps not at all surprising to find that scarce at best was the policy attention the government paid to the bicycle industry.

However, it should be noted that the otherwise less market-interventionist or far less aggressive industrial policy-driven state of Taiwan made at least two crucial contributions to the successful development of its bicycle industry (Chu 1997, pp.66). First, from the early 1970s, it did set up and enforce industry standards for the quality control of bicycles for export, which helped its bicycle exporters to maintain international competitiveness by enhancing their product quality while keeping their costs low. Second, increasingly noting the R&D need for industrial upgrading, the government established the Taiwan Bicycle Industry R&D Center in 1991 in order to localize imported Japanese high-tech parts by improving the technological capabilities of parts and components manufacturers in Taiwan.

The Korean government's industrial policies became less unfavorable toward SMEs in the 1980s (Park 2001), and so did they toward the bicycle industry to some measure. In 1982-1983, for instance, it allocated 5.5 billion won for bicycle export promotion by way of strengthening its parts suppliers, subsidizing their R&D, fostering their specialization, and assuring an adequate supply of basic materials (Chu and Li 1996, pp.49). Still, the Korean government's bicycle industry promotion policy remained rather meager and haphazard.[21] As discussed earlier, one noteworthy exception to this pattern was the highly effective policy support and assistance with which the Ministry of Commerce and Industry provided Corex in establishing Corex's own industrial district for integrated bicycle production in Changwon in 1986.

The government also launched the nation's first bicycle racing in 1994, but the policy or enterprise has so far neither contributed to the revitalization of the industry nor stopped its helpless stagnation and utter decline. The KBIA had long advocated the introduction of bicycle racing since 1983 in an attempt to promote the industry in the way Japan had. While the annual profits from the bicycle racing enterprise now amount to 90 billion *won*, not even a single *won* has gone to benefit the bicycle industry directly.[22]

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21 According to the authors' interviews, few interlocutors were aware of, not to mention directly benefiting from, any governmental bicycle industry promotion policy.

22 17.5 percent of the profit gets accumulated to a fund for industrial development. But none of it has been used for the bicycle industry. The government has promised to funnel a part of the fund to the bicycle industry for its promotion starting in 2005, but virtually all the remaining people in the industry remain highly pessimistic, if not hopeless, about the possibility of reviving the nation's bicycle manufacturing industry. Authors' interviews with officials at the KBIA; the Seoul Olympic Sports Promotion Foundation at http://sosfo.or.kr.

By the late 1990s, lame duck firms were rife throughout Korea's bicycle industry in general and its parts manufacturers in particular. With the rush of cheap bicycle part imports from China, Korea's desperate parts suppliers filed an anti-dumping case through the KBIA. But the last-minute effort ended in vain in 2000 as the government remained far from willing to risk a trade dispute with China for the "dying" industry. Furthermore, the failure led to a practical dismantling of the KBIA: all but four assemblers withdrew their membership from the nation's one and only bicycle industry association.

CONCLUSION

In explaining the rise and fall of Korea's bicycle industry, this paper has examined three key factors: Samchuly-Kia, the industrial structure, and the state policy. Without looking at Samchuly-Kia's monopolistic complacency and relative lack of export orientation at the industry level, one cannot fully explain the varying performances across such similar sunset and labor-intensive industries as Korea's bicycles and textiles. However, what shaped the country's monopoly or oligopoly-oriented incentive and industrial structure, in which Samchuly-Kia operated, was the state's unbalanced and big *chaebol*-biased industrial policies, which sorely limited the development of the bicycle industry, and ultimately gave rise to its permanent state of underdevelopment. Especially striking in comparison to the Taiwanese case were the Korean industry's premature decline and the untimely demise of its parts and components suppliers, an outcome that was not in any way inevitable even for the small sunset industry.

The small and labor-intensive industry vis-á-vis automobiles remained a blind spot to the Korean government's industrial policy or targeting, and no *chaebol* entrepreneurs joined it except for Sunkyung (and then only marginally, but with an ulterior motive) and Samchuly-Kia (whose core commitment rather quickly shifted from bicycles to automobiles). The Korean government's big-push strategy of industrial expansion in favor of heavy and capital-intensive industries throughout the 1970s deprived especially the bicycle parts manufacturers of an opportunity to grow and make something of their own entrepreneurshipp.The big push industrialization program did not need to entail abandonment of the bicycle industry, albeit traditional or sunset. In light of the successful Taiwanese experience with its own bicycle industry as well as the continued prosperity of districts of mature, labor-intensive industries such as those of Northeastern Italy, Southwestern Germany, and Western Japan, clearly, upscaling is not the only key to industrial upgrading even in the increasingly globalizing economy. The government's sensible industrial policies may include easing resources out of declining sectors and promoting new, technology-and capital-intensive industries. Equally as important, however, is government policy aimed at helping existing industries to move up the value-added chain and enhance competitiveness through constant and incremental innovation in products and production processes.

The tragic story of the demise of Korea's bicycle industry, from one that appeared to be as competitive as Taiwan's up until the early 1970s to its almost complete dissolution and collapse by the late 1990s, illustrates the importance of providing an equal or fair chance of success to small firms as well as big ones for long-term growth and health of the economy. In the state-and chaebol-dominant Korean economy, the mal-development of small parts and components supplier firms has been notorious, not to mention the lack of Silicon Valley-type small high-tech companies. The deleterious consequences of Korea's relative lack of flexible, incrementally innovative, and higher value-adding small-scale businesses include the political economy's recurrent instability, which was manifested most recently in the nation's 1997 financial crisis.

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NUCLEAR WASTE MANAGEMENT: GAINING PUBLIC ACCEPTANCE

YEARN HONG CHOI
University of Seoul

ABSTRACT

This article is a comparative review of longstanding failures regarding the siting of nuclear waste disposal facilities in South Korea and in the United States. Even though the South Korean situation is quite different from the US situation, they share one critically important fact: they both failed to find a site for a low-level radioactive waste disposal facility in the last twenty some years. The US has designated Nevada's Yucca Mountain as the site for a repository for high-level waste and as a spent fuel disposal site, while the Korean government for its part has yet to assign an urgent priority to the task of finding an interim storage site for these types of hazardous materials here in South Korea. Consequently, this paper confines itself to considering attempts to locate a suitable site for low-level nuclear waste management. At the present time, although the two nations are still to find a breakthrough, hopefully they can learn from each other's experiences. Yet, politics seems to be prevailing and anti-nuke forces are strongly challenging the country's reliance on atomic energy, even though there is at present no viable alternative. Under the circumstances, gaining public acceptance of nuclear facilities is a must, and yet this is easier said than done.

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Key Words : nuclear waste, South Korea, the United States, public acceptance, waste disposal facility.

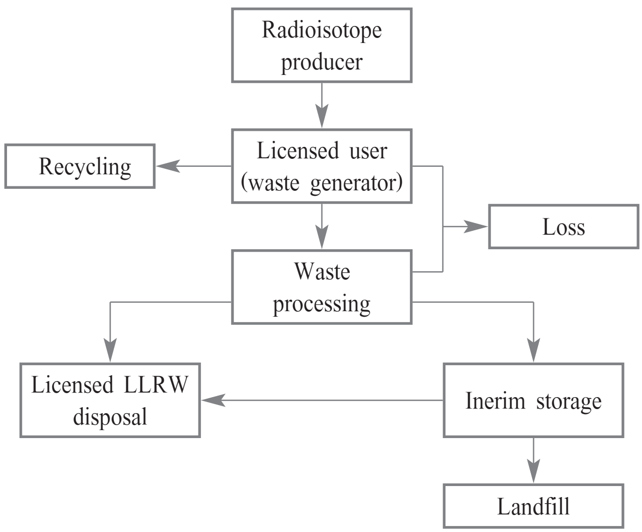
INTRODUCTION: A COMPARATIVE VIEW

Nuclear waste has been generated in the United States since the Manhattan Project in 1943. Since the Project ushered the world into the Nuclear Age, the use of nuclear energy, and products thereof, as well as the reliance upon nuclear arms, have been both popular and prolific. However, the US and other nuclear nations have not yet found satisfactory ways to dispose of nuclear waste. Past governmental and scientific efforts to manage radioactive waste have not always been politically and technically adequate. Human fear of radioactivity still prevails. No one wants radioactive waste and no one likes it. The animosity toward radioactive waste is much more intense than it is toward chemical waste, solid waste, or even a prison in one's backyard.

By late 1980, the 96th US Congress had reached some consensus on comprehensive legislation to deal with high-level waste, low-level waste, transuranic waste, and spent fuel. This legislation incorporated many of the principle recommendations of the Interagency Review Group and State Planning Council on Radioactive Waste Management. However, in the last week of the session, an impasse arose over two issues: (1) the application of the policy on defense high-level waste and transuranic waste, and (2) the role of the Federal government in the storage of commercial spent fuel. On the last day of the session, the Congress broke out those provisions of the omnibus bill dealing with commercial low-level waste and passed the 1980 Low-Level Radioactive Waste Policy Act.

Civilian nuclear power reactors and the production of nuclear weapons produce high-level and low-level radioactive wastes. High-level waste is the used reactor fuel; low-level waste is everything else from discarded protective clothing to contaminated equipment. Low-level waste might emit any combination of alpha, beta, or gamma radiation, produced by radioisotopes with very short or very long half-lives. It is much less radioactive than high-level waste. Low-level radioactive waste in the United States and Japan, as well as in several European nations has typically been buried in shallow landfills. No nation has yet devised a satisfactory permanent disposal site for high-level waste, although Norway and the United States have designated potential sites.

<Fig 1> Conceptual Flow Diagram of Radioactive Sources from Production to Disposal



Source: GAO

Under the circumstances, the author wants to limit his research area to the search for low-level radioactive waste disposal sites in Korea and the United States.

South Korea, while relying heavily on nuclear power for electricity, has not found a site for a low-level radioactive waste disposal facility or a site for the interim storage of spent fuel and high-level waste. The government has made endless searches in the last 20 some years, all of which have ended in failure. It must also be said that the president, the national assemblymen and women, local executives and councilmen and women, provincial governors, and intellectual societies have all failed in their duties to locate a suitable site. In addition, local residents and civic environmental organizations have aggravated the situation still further by continuing to stage anti-nuke demonstrations and advocating a "Not in My Backyard!" syndrome.

If the search for suitable sites continues to end in failure, then South Korea may be forced to shut down nuclear power plants that currently produce almost 50 percent of all electricity. There will be a severe energy crisis, and the temporary storage sites inside power plants will cause serious harm to the environment and public health. South Korea proposed in July 2005 to provide 2 million kilowatts of electricity to North Korea in return for the ultimate dismantling of its nuclear weapons program. How does South Korea intend to generate such an additional amount of electric power? Most probably, the answer is: by using nuclear power.

The United States, producing 20 percent of its electricity from nuclear power, has disposed of its low-level radioactive waste at the Hanford and Barnwell dumps, but the future is not very certain. The Betty, Nevada site was opened in the 1960s and the Hanford, Washington site and the Barnwell, South Carolina site, the West Valley, New York site, and the Maxey Flats, Kentucky site and the Sheffield, Illinois site were all opened in the 1970s. But because of various problems, the West Valley, Maxey Flats and Sheffield sites were short-lived. They were all closed by the end of the decade. The Betty dump was closed in January 1993 (Doran and Scariano, 57-58).

The US Congress passed the Low-level Radioactive Waste Policy Act in 1980 and the Nuclear Waste Policy Act for high-level waste disposal in 1982 and it amended the laws in the 1980s. Since then, no new low-level radioactive waste disposal site has been established. However, since 2002, the Bush administration has pushed for the opening up of Yucca Mountain as a site for high-level radioactive waste disposal. The 1980 act made each state responsible for finding some way to dispose of the waste generated within its borders or creating an interstate compact. States were encouraged to form a compact with their neighbors and to plan and build regional site(s) that would share the burden of disposal fairly. In 1985, because no compacts had yet been ratified or sites selected, Congress amended the act to create siting milestones, deadlines. It provided that on January 1, 1993, the three states with sites (Washington, South Carolina and Nevada) could refuse to accept low-level radioactive waste generated outside their borders by states that are not in their respective compacts. It also required that in January 1996 each state would take title to, possession of and legal responsibility for all low-level waste generated within its borders. However, in a suit brought by the state of New York challenging the constitutionality of the act, the Supreme Court in June 1992 struck down the "take title" provision as it applies to states that are not members of a compact. The court left fundamentally intact the act's framework of incentives to encourage development of disposal facilities (Fact Sheet, 2004). In 2004, not a single new disposal site had been designated or built.

South Korea has finally learned to take two separate approaches toward low-level waste and spent fuel and high level waste in its special legislation passed in March 2005 with ample financial support of the local government which accepts the site. This will be new landmark legislation.

SOUTH KOREA: ENDLESS SEARCHES, ENDLESS FAILURES THAT MAY FINALLY END

Since the first nuclear power plant generated electricity in 1978 at Kori, South Korea (Korea, from here on), has been relying heavily on nuclear power, because it imports all the petroleum and natural gas it needs from overseas. It had a total installed capacity of 13,716 MWe in 2001 (Ministry of Commerce, 2001). 16 reactors in Kori, Wolsong, Wooljin and Youngkwang are generating power, and more reactors are going to be built in the future. Radioactive waste has been generated from power plants, hospitals and research labs. Spent fuel has been stored in distilled water inside power plants, and low-level and intermediate-level waste has been stored in temporary storage facilities inside the compound of the power plants.

<Table 1> Status of Radioactive Waste Storage (As of March 2005)

Nuclear Power Stations		Storage capacity (drum)	Cumulative Amount(drum)	Year of Saturation (expected)
Location	Number of Reactors			
Kori	4	50,200	33,405	2014
Youngkwang	6	23,300	13,275	2011
Wooljin	5	17,400	13,257	2008
Wolsong	4	9,000	4,820	2009
Total		99,900	64,757	

<Table 2> Status of AR Spent Fuel Storage (As of March 2005)

Nuclear Power Stations		Storage capacity (MTU)	Cumulative Amount(MTU)	Year of losing FCR
Location	Number of Reactors			
Kori	4	1,737	1,154	2008
Youngkwang	6	1,696	769	2008
Wooljin	5	1,563	524	2007
Wolsong	4	4,807	2,311	2006
Total		9,803	4,758	

Source: Korea Hydro and Nuclear Power Corporation, Annual Report on Radioactive Waste, 2005.

Korea has made efforts to find a permanent disposal site for the low-level and intermediate level waste and interim storage for spent fuel in the last 20 years, but all attempts have failed. The Ministry of Science and Technology tried to site the facility in a secretive way in the 1980s, and to induce local governments to provide sites for the facility in the 1990s.

In the mid-1980s, the Ministry of Science and Technology selected 89 candidate sites, then reduced the number to 25 and finally down to 3 after a consultation with Battelle, (an independent research laboratory based in Columbus, Ohio). The analytic hierarchical process produced the final three sites, Wooljin, Youngduk, and Youngil in North Kyungsang Province. 12 reactors were located in Kyungsang province. That was the main reason for the selection. Then, the government sent several scientists to this area to examine geological formation and environmental conditions for the next step. Local residents then found out that their towns had been selected for the final candidate sites for nuclear waste disposal facilities. They were shocked, and protested the governmental decision. Their protests became violent. Even the authoritarian regime could not handle the violent demonstrators who blocked the highways. Public opposition to the plans were so great that the government eventually announced that it wouldn't pursue any further action. That was in March 1989.

The first democratic presidential election in 1987 totally changed the public mood of the times. The people, who had been suppressed under authoritarian regimes from 1961 to 1987, erupted like a volcano in the democratization process. The government had not anticipated the changing mood of the society. Consequently, the Ministry of Science and Technology renamed the site that would handle the hazardous materials: the Nuclear Research Center, and attempted to make a deal with Choongchung and Cholla provinces, because it had selected Anmyondo Island, Buan, Youngkwang and Uphaedo Island as possible sites. Unfortunately, the fact that negotiations were taking place with South Choongchung Province was leaked to the press, and local residents of Anmyundo Island staged a protest movement against the negotiations. This second major attempt by the government to find a suitable nuclear waste disposal facility did not get very far. The Minister of Science and Technology, a famous nuclear scientist, was fired for his mismanagement.

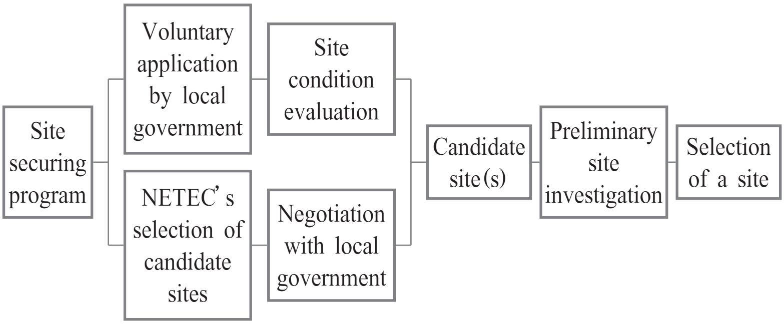
The new minister, a career newspaper reporter and editor educated in sociology at Seoul National University, recognized that the siting of a radioactive waste disposal facility was both a political and a social issue, and asked the social science research institute of Seoul National University to reexamine the candidate sites from a socially acceptable point of view. Six candidate sites emerged, but local residents of the sites protested violently. As a result, there was no resolution. The minister, continuing to look for ways to gain the acceptance of the local people to accept a facility in their area, switched to an incentive-based approach, by proposing to provide a sizeable financial package as a community development fund. For that, the national assembly passed a law that could provide attractive funding to the locality that would accept the site.

Residents of two towns – Jangan, Yangsan County, South Kyungsang Province and Kisong, Wooljin County, North Kyungsang Province – expressed their willingness, but they were violently confronted by those who refused to accept the proposal. Violent confrontations between one group of local residents and another were reported in major national newspapers every day for a couple of weeks. Not for the first time, the government gave up.

The Ministry of Science and Technology started the site search all over again, and selected 592 candidate sites, then reduced the number down to 53, then down to 10, and finally settled on one site: Gulupdo Island in the Yellow Sea. Only a few fishermen and their families inhabited the island; they accepted the site and were ready to move to another island. Unfortunately, residents of neighboring islands rallied together against the government and staged violent demonstrations. However, the government decided to overlook the violent protest movement, and sent several geologists to the island. Their report was a critical one. The Korea Institute of Geology found an active fault during the geological site investigation for past mining activities and materials. The government gave up its plans for a facility on the island.

After many years struggling with this issue, the government created the Nuclear Environment Technology Institute (NETEC) under the auspices of Korea Electric Power Corporation (KEPCO) to take control of radioactive waste management in June 1996; NETEC would now be responsible for site selection through to construction, and eventually, operation of the disposal facility. As a result, KEPCO went through a reorganization process. A new company, Korea Hydro and Nuclear Power Company (KHNPC), was created in April 2001, and NETEC became a part of KHNPC. In 2000, NETEC prepared a voluntary local application process as an inducement to accept a disposal site, as shown in Figure 2.

<Fig 2> Procedures for Acquisition of a National Radioactive Waste Management Facilities Site



NETEC approached 46 local governments in the coastal area with a public education program and a 3000 billion won financial package that would provide substantial benefits for local residents willing to accept a disposal facility in their area, including: projects that would increase local income; public facility construction projects; education projects; and providing subsidies for electric bills and low-interest loans. All local governments within a 5-km radius of the facility would benefit from the financial package. Letters with brochures designed to persuade local governments were mailed in June 2000.

<Table 3> Financial Support Program for the Local Community Accepting the Site

Program	Region	Support activities	Support amounts (Unit : 100Mil.₩)		
			Construction (5yrs)	Operation (30yrs)	Total
Special support program	○ Entire region of local government with the site	○ To be determined after negotiation with local government – within the scope of basic support program	1,672	–	1,672
Basic support program	○ Within 5-km radius of a sub-county or town	○ Income increase projects ○ Public facilities ○ Education	327	587	914
Subsidy program		○ Subsidy for electric bills	35	207	242
Welfare support program		○ Low-interest loan	10		10
Industrial park support program		○ Business loan	13	78	91
Total			2,057	872	2,929

* Total 205 billion won will be expended over five years by the state where the facility is going to be constructed.
Objective of the site: Disposal of low-and intermediate level radioactive waste and interim storage of spent fuel.
- Applicant: Head of local government with the consent of the local council.
- Application Period: July 2000-June 2001.
- Area of the site: 500,000 pyung (408.45 acres or 16,529km^2) in a coastal area.
- Site requirements: Environmentally acceptable site.

At the time, a public education campaign was launched, but in reality, it was nothing more than a public relations campaign. In the first stage, July to October 2000, nationwide advertising on TV, and radio and in the printed media informing the public of the site application procedure and the necessity of the site was made. At the same time, briefings were given to 46 local governments by NETEC staffs. In the second stage, October 2000 to January 2001, NETEC approached those localities that showed some interest with a public education program on safety issues regarding radioactive waste disposal sites in Japan, the US and in the European nations. NETEC also invited local leaders to its headquarters in Taejon. By the last stage, February to June 2001, several communities had shown interest in applying for site consideration, and so NETEC focused specifically on those communities. Community leaders toured the Rokashomura site in Japan so they could observe at first hand the procedures involved in its safe operation.

NETEC established its field offices in Youngkwang, Jindo, Kangjin, Kochang, Yangyang and Boryung. The mayor of Rokoshomura came to Korea in order to give lectures on the safe operation of radioactive waste disposal sites to people from the local communities. Finally, nearly 50 percent of people from Youngkwang and Kangjin signed a petition inviting the facility, but the respective local councils and executive authorities did not react positively. People from the respective local communities who were supportive of site application confronted those who were not. It was open public confrontation, but not like that experienced earlier, in the period 1985-1995. At that time, it was impossible to get nearly 50 percent of local people petitioning to have the site. By contrast, the local leadership and the national assemblymen from the respective areas were very cold to the proposal. They were conscious of the local elections in 2002, and paid attention to idealistic environmental NGOs. The 2000-2001 effort again fell far short of expectations.

〈Table 4〉 Local Communities that Submitted Petitions

Community	Petition date	No. of petitioners/ No. of voters	Ratio (%)
Youngkwang	6.21, 2001	21,636/49,400	43.8%
Kochang	6.29, 2001	13,573/54,000	25.1%
Kangjin	6.15, 2001	16,387/37,000	44.3%
Jindo	6.28, 2001	6,150/32,000	19.2%

Accordingly, KHNPC drew up a basic plan for the future that would select candidate site(s) first, and then negotiate in depth with the local governments before the final nomination of a site. 2008 was set as the target year. The government has stated that the site selection process will be transparent, open and democratic. Information such as candidate sites, results of site surveys and characterization, and site development plans will be disclosed. The final decision will be made based on mutual understanding and establishing credibility with the local government selected (Choi, 2001).

The Korean Government launched a massive campaign to educate the public and enlarged the available compensation package for local residents; university research and development funds for superconductor linear accelerators and other lucrative benefits were provided for provincial governments in 2002 and 2003. The Buan County chief executive volunteered an island, Wido, belonging to the county as a candidate site and the North Cholla provincial governor endorsed the idea of accepting Wido Island. However, when news of this reached the general public, the county chief was physically attacked by a violent mob and hospitalized. The local governor was also threatened by the mob, while the anti-Wido residents proposed a local referendum. In response to the violent attacks from the local residents, the Central Government gave up any plans it had for the Wido island site (Choi, 2003).

After the controversial Wido incident, the Korean National Assembly passed a special law in March 2005 rewarding any local government willing to accept the nuclear waste disposal site. That law separated the low-level waste disposal site from an interim storage site of high-level waste and spent fuel; it will reward the local area with 3,000 billion won during the construction period, and a further 85 billion won for annual fees for incoming waste, together with the relocation of KHNPC employing 2,000 employees to the local area (Choi, 2005).

This legislation changed the mood dramatically. Kyungju, the old capital of Silla Kingdom, made a favorable move: In April, 2005, the City Council passed a resolution in favor of inviting the low-level waste disposal site near to the nuclear power plant. Woolsan, a city close to the nuclear power plant in Wolsong, Kyungju province, wanted to bid jointly for the site with Kyungju. Kunsan, in North Cholla Province, has also invited the site. The Kunsan Environmental Federation also supports the city's move (Energy Economic News, 2005). Kyungju, Kunsan, Youngduk and Wooljin are likely to be the final candidate sites. The geological review has been done, and the respective citizen referendums are forthcoming. The referendums are key factors in deciding the site selection process. A higher acceptance rate by local residents will be a prime consideration in the final decision-making. However, anti-nuke environmental groups will probably stage protests against the government's search for a nuclear waste disposal site. So the future is not necessarily bright (Kim, 2005).

THE UNITED STATES: A CRISIS IN THE FUTURE?

The Low-Level Radioactive Waste (LLW) Policy Act of 1980, and further amended in 1985, established a federal policy that a state is responsible for providing waste disposal capacity for low-level radioactive waste generated within its borders. The act provided that:

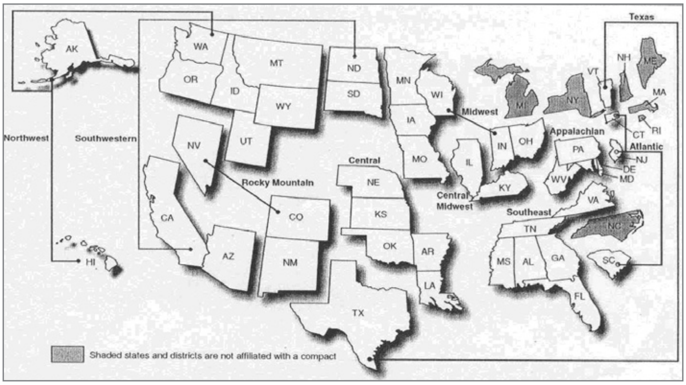
(1) Each state is responsible for providing for the availability of capacity either within or outside the state for the disposal of commercial low-level radioactive waste generated within its borders.

(2) LLW can be most safely and efficiently managed on a regional basis.

(3) States may enter into compacts that may restrict the use of regional disposal facilities to LLW generated within the region.

Regionalization through the formation of interstate compacts has been the primary vehicle by which many states have assumed the responsibilities outlined in the act. By January 1, 1986, the states or the interstate compacts were scheduled to operate disposal facilities; however, nothing really happened. No new disposal facilities had been designated in any of the 50 states of the United States. In 1986, six regional compacts were formed: the Northwest Compact (Washington, Oregon, Utah, Idaho, Arkansas, Hawaii); the Southeast Compact (South Carolina, Georgia, Alabama, Mississippi, Florida, North Carolina, Tennessee, Virginia); the Rocky Mountain Compact (Nebraska, Wyoming, Colorado, Arizona, New Mexico); the Midwest Compact (Illinois, Indiana, Ohio, Michigan, Wisconsin, Minnesota, Iowa, South Dakota, Nebraska, Kentucky); the Northeast Compact (New York, Pennsylvania, Maryland, Delaware, Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine), and the Central Compact (Kansas, Oklahoma, Arkansas, Louisiana). Texas, California, West Virginia, and North Dakota were unaffiliated at that time (Choi, 1984, 1986).

〈Fig 3〉 State LLRW Compacts and Unaffiliated States



Three regions had existing disposal facilities: the Northwest at Hanford, WA; the Southeast at Barnwell, SC; and Rocky Mountain at Betty, which was closed in the early 1990s. At one time, the interstate compacts appeared promising, but they did not go forward. No state wants nuclear dumps or to host new dumps within its borders; neither does it want to allow these into the region. Each state had expectations that its neighboring state would create an initial disposal site. That has been the most serious problem. Each state has indulged in wishful thinking or held expectations that a neighboring state would create an initial disposal site. Regional compacts of course could not be successful on the basis of wishful thinking and expectations. Individual states probably cared about the problem of nuclear waste management, but only as long as it didn't involve them being part of the solution. The Barnwell dump has been operating to receive the nation's waste, and will continue to do so until 2008. But after 2008, it will receive the Atlantic Compact's waste from South Carolina, Connecticut, and New Jersey. The US Ecology site in Richland, Washington has been receiving waste materials from 11 states of the Northwest and Rocky

Mountain Compacts. Texas has a new law in force that, if everything goes right, will provide Class A/B/C disposal capacity for members of the Texas Compact (Texas and Vermont) by the end of 2007 or so. The Envirocare of Utah site accepts Class A waste at what are considered to be reasonable disposal fees and so receives the bulk of the nation's Class A waste. Class A waste, which must be contained for up to 100 years, requires minimum precautions for disposal. Class B waste, which must be contained for up to 300 years, must meet more rigorous requirements, while Class C waste, which must be contained for up to 500 years, requires additional measures, such as it should be isolated from a future "inadvertent intruder." (Murray, 2003).

Starting July 1, 2008, there may be a problem in disposing of Class B and C low-level waste in the United States because of capacity limits. If the present situation continues, 34 states will not have any place to dispose of Classes B and C (B/C) waste.

After 25 years, no new state or compact disposal facility has been opened. Nancy Zacha, editor of Radwaste Solutions, published by the American Nuclear Society, reviewed the 1980 act, and characterized the outcome: endless lawsuits. "In fact, it appears that the only beneficiaries of the act today are lawyers, who are doing a thriving business. There are lawsuits pending against North Carolina (a reluctant host state being sued by its compact), Nebraska (another reluctant host state whose governor was found to have been actively involved in attempts to scuttle licensing applications), and California (being sued by US Ecology for recovery of the $160 million the company spent in developing the California site). In addition, there is a countersuit by Nebraska against the compact. As with many lawsuits, these have been ongoing for several years and probably still have several more years to run." (Zacha, 2004). Steven Kraft, director of waste management of the Nuclear Energy Institute agreed with her view in his meetings with me, when I visited the NEI on

September 3, 2004, and July 18, 2005.

So, what is a waste generator expected to do? Is there a path forward?

For many nuclear power plants, the answer lies in reducing or eliminating the generation of B/C waste. Clint Miller, a waste engineer at Pacific Gas and Electric, reported an effort at several plant alliances under the Strategic Teaming and Resources Sharing (STARS), all located to the west of the Mississippi River (Miller, 2003). Primarily, such efforts involve cleaning out resin beds more frequently and changing packaging methods. Utilities are also looking at extended waste storage capacity and perhaps more effective waste treatment methods.

There is also the very slight chance that the state of South Carolina will change its mind and keep the Barnwell facility open. South Carolina, like almost all states these days, is looking at budget shortfalls. Keeping Barnwell open, and increasing B/C disposal fees might be a way to generate some needed income. At this time, there is no indication that the state is leaning in this direction, but it closed Barnwell once before and reopened it, so an optimist can always hope for history to repeat itself.

Furthermore, Envirocare of Utah might decide to pursue a B/C license in the future. This will, in part, depend on the climate in the state legislature and governorship. Utah is replacing its governor this year (former Governor Mike Leavitt was recently appointed to head the US Environmental Protection Agency). A combination, therefore, of the political climate and a new governor from the November election who is sympathetic to nuclear power/radioactive waste management may make such a development possible.

Of course in an ideal world, all states should be responsible for managing radioactive waste generated within their borders or be ready to host waste generated within the region. Yearn Hong Choi, assistant for environmental quality in the Office of the Secretary of Defense, writing a commentary on regional compacting in Pollution Engineering in 1983, gave an explanation as to why states may be reluctant to do so:

"Despite its low-level (of risk), this waste generates fear. No one wants radioactive waste in his or her backyard. Fear is due to radioactivity and our imperfect control of it. Our state of knowledge should be attributed as a major cause of this fear. Even today, monitoring is an imprecise science: different types of radiations causing varying effects on various parts of the body are registered differently by detection devices. Furthermore, such factors as radiation pathways and mobility and mechanisms whereby radioactivity might concentrate in organisms are not completely understood. Small wonder, then, that reputable estimates of the hazards posed by exposure to low levels of a particular type of radiation may differ by very large factors. These are the basic disagreements that, in part, fuel much of the debate over the radioactive waste problem." (Choi, 1983)

Fear should be approached from ground zero. Choi also emphasized the nuclear scientist's role as an educator to the public in the same commentary: "Nuclear scientists should educate (or explain) the need for nuclear power and products, the safety of the burial technology, and find the science and technology to reduce and minimize radioactive waste. Technology to reduce and minimize waste volume is progressing. Democracy, (which was) established 200 years ago in the United States, cannot cope with the modern scientific age if the citizens are not knowledgeable about the issues and problems of the society and nation. Modern politics should accommodate modern science and technology and vice versa. The scientists' role as educators in a post-industrial democratic society is larger than they may realize." (Choi, 1983)

Progress made in waste reduction has been remarkable. Compared to the 1980s, the total volume of hazardous waste generated in the US has been reduced by more than one half. The cost of disposal has also propelled the technology to reduce and minimize the waste generated. Since 1980, because the cost of low-level waste disposal has been rising and access to disposal sites has been in jeopardy, hazardous waste generating industries, government, utilities, and academic and medical organizations have reduced the volume of low-level waste sent to commercial disposal sites. In 1980, more than 3.7 million cubic feet of low-level waste was disposed of commercially. In 2001, the volume of "traditional" low-level waste (higher radioactivity levels, low-volume) declined to 140,147 cubic feet, a reduction of 96 percent. This reduction occurred even though the number of nuclear power plants increased by more than 50 percent during the same period. In addition to the traditional low-level waste disposed of in 2001, more than 1.2 million cubic feet of low-activity, high-volume, low-level waste was disposed of at the Envirocare facility in Utah from the decommissioning of nuclear facilities and site cleanup activities (Fact Sheet, 2004).

However, nuclear waste management is basically a political, and not a scientific issue. The 2004 presidential election campaign in the State of Nevada showed the dangers of political motives in a search for a waste disposal site. Choi wrote in another commentary in 2004:

"Political campaigns have an idealistic appeal to the public. Senator John Kerry, campaigning in the state of Nevada, made a very serious statement not to use Yucca Mountain as the nation's high-level nuclear waste disposal site. I wish he had not made such a statement, because it represents a setback in the U.S. waste program.

President George W. Bush made a courageous decision to designate Yucca Mountain as a permanent nuclear waste disposal site two years ago. His decision was unpopular in Nevada, but the U.S. Congress endorsed his decision. It had taken more than 20 years to reach that stage. The U.S. Department of Energy has been searching for the best available site in the nation since the passage of the Nuclear Waste Policy Act in 1982. The Nuclear Regulatory Commission's licensing process is the project's next hurdle. Sen. Kerry cannot reverse the progress made so far.

What is Sen. Kerry going to do? He proposed searching for an international consortium (that would be responsible for disposing of nuclear waste, a proposal) which has been discussed and studied (by a panel) of National Research Council scientists and engineers. (In this regard), Russia and China may propose disposal sites in Central Asia and (in the) Gobi Desert for (the) permanent disposal of high-level nuclear waste and spent fuel. This may be possible in (the) distant future. Whatever the future will be, however, the United States cannot dispose of its nuclear waste in Central Asia or (in the) Gobi Desert. Transportation would simply be too costly.

If the United States rejects the Yucca Mountain site on the grounds of geological safety, I don't think any site can be considered safe in this world. If that is the case, then all nations should close down their nuclear power plants and stop nuclear weapons production. We can stop nuclear weapons production, but can we close down the nuclear power plants? The United States can, because it relies on nuclear power for only 20 percent of its electricity, but South Korea, my home country, generates 50 percent of its electricity from nuclear power. China, India, Japan, and (the) Southeast Asian nations are expanding their nuclear power programs to supply their future energy needs. Shutting down the Yucca Mountain program will have an enormous impact on the world energy utilities. If there is no safe disposal site, all nuclear power plants should be shut down.

Tons of research works and findings on high-level waste disposal have accumulated since the 1980s. Based upon those findings, the U.S. Department of Energy proposed the Nevada site. There is probably no one best site, but it is fair to say that Yucca Mountain is one of the best available sites. If idealistic environmentalists are seeking (a) no-risk society, they will fail. In this world, seeking a no-risk society is an impossible mission. It seems to me that some American politicians and intellectuals are seeking (a) no-risk society. U.S. scientists and engineers have examined and reexamined the research findings, and made a positive response to President Bush's decision. I trust their work.

The Democratic Party has maintained a good environmental image. But giving up the Yucca Mountain site is environmentally unethical. The Clinton administration postponed the decision to finalize the Nevada site for political reasons. The U.S. has generated nuclear waste since the Manhattan Project in (the) 1940s. There should be a site for disposing of the waste. Avoiding the responsibility is not a wise president's job, although it may be a good politician's tactic. President Bill Clinton could also have ratified the Kyoto Protocol, or could (at least) have made an attempt to ratify it. He did not. The Bush administration made a decision against the Protocol, a decision that has been harshly criticized by the international community. President Clinton was also responsible for the failure of California's search for a disposal site for low-level waste on federal land in California. I wonder whether the Clinton administration deserved its high evaluation in the field of environmental policy and management.

I wish Sen. Kerry had proposed no more nuclear power plants and nuclear weapons production in the United States, but (he) did not clearly say this. Or that he had proposed a retrievable disposal facility in Nevada, assuming that future science can find and invent safer disposal site and methods. He did not say that either. He just said, "No Yucca Mountain site for disposal under my presidency!" His declaration is political, no more, no less, and he is turning the world back to 1982.

The U.S. nuclear energy industry is also having difficulty in finding low-level waste disposal sites. The two disposal sites in South Carolina and Washington that existed prior to the 1980 Low-Level Radioactive Waste Policy Act had been taking the waste from (all of) the 50 states. The 1980 act proposed that low-level waste disposal should be the responsibility of state or interstate compacts, but (as yet) no new site has been opened. This is a very serious problem for the United States, and it has set a bad example to (the) outside world. Finding nuclear waste disposal sites is the most difficult task in American politics. I hope Senator Kerry knows it." (Choi, 2004)

In June 2004, The United States General Accounting Office determined that the current situation was uncertain. Therefore, it recommended that the Nuclear Regulatory Commission should be given the role of safeguarding nuclear waste storage facilities in the nation. This approach, however, has major drawbacks, as it can lead to increased safety and security risks at the temporary storage sites. Under these circumstances, Federal oversight will be necessary to oversee the currently available waste disposal facilities and the conditions of stored waste (US GAO, 2004).

ENVIRONMENTAL POLITICS : GAINING PUBLIC ACCEPTANCE

Gaining public acceptance of nuclear facilities is, and should be part of environmental politics. Environmental politics should start with peaceful discussions and dialogues among the public, NGOs, intellectual societies, and governmental officials. Their discussions and dialogues should be targeted at realistic, and feasible energy policies and available energy resources. It should not be solely left to the environmental NGOs. Environmental politics should be a series of negotiations among the stakeholders.

In Korea, the first step to find a permanent disposal site for low-level and intermediate-level radioactive waste and an interim storage site for spent fuel has not been successfully taken in the past due to violent resistance by local residents in alliance with anti-nuke environmental groups. However, the 2000-2001 campaign was perhaps the first major campaign to signal a change in the public mood. Almost half of the Youngkwang county residents expressed their desire to accept the site. Offering monetary rewards and compensation and running a public education campaign showing the safe operation of low-level waste disposal facilities and interim storages of spent fuel in Japan, the United States and in the European nations also helped. However, the fact that there was public support for the site was not reflected in the political decision-making process. Local politicians listened to anti-nuke supporters, not to the KHNPC. The 2003 Buan County tragedy was instigated by the national assemblyman's agitation and arrogance of power in showing his rejection of the candidate site in his district, and his politically motivated killing of the county chief who demonstrated his willingness to accept Wido Island as a candidate site. In contrast to then, the situation in 2005 seems much more promising after the special legislation in March, and currently several local governments are interested in bidding for the disposal site.

In order to gain the general public's acceptance of the need for a permanent disposal site, educating their elected representatives is also a very urgent task. The Korean president and the national assembly members have been silent on this grave issue. They tend to postpone any decision on the matter and delegate the site decision-making to a future president and a future national assembly. Perhaps the current president and national assembly members should learn some lessons from US President George W. Bush and the Congress that endorsed the Yucca Mountain site. Despite President Bush's widespread unpopularity due to the war in Iraq and his anti-environmental policy position, he made an admirably brave decision. As a last resort, the Korean president will have to decide the best available site and the national assembly will accept or reject the president's decision by a simple majority vote as in the United States.

The US Congress passed the Nuclear Waste Policy Act in 1982 that directed the Department Of Energy to recommend a high-level waste disposal site to the president; the Act also gave Congress the right to accept or veto any presidential decision regarding site selection. In 2002, the US Congress accepted President Bush's decision to use Yucca Mountain in Nevada as a high-level waste disposal site.

The US Congress passed the Low-level Radioactive Waste Policy Act in 1980 that set up state or interstate compacts that could govern low-level radioactive waste. Even though it was accepted as a good idea at the time, the past 20 some years have proven it was not. Here is an example of the failure of state politics in searching for a new site in the United States too, just as has happened in the Korean political system. Senator John Kerry, as a Democratic presidential candidate campaigning in Nevada, promised to nullify the decision to use Yucca Mountain as the site for the nuclear waste repository. It was a politically motivated policy proposal where political campaigns and popular votes took precedence over scientific and technological policy. Nevertheless, Kerry still could not carry the State of Nevada in his unsuccessful campaign to reach the White House.

Intellectuals in society have been silent on the nuclear waste disposal issue, too. The Korean Atomic Scientists' Association, the Korean Environmental Policy Studies Association, and the Korean Waste management Association have not been involved at all in the policy debates. These intellectual societies should play a third-party role liaising between the government (as represented by the KHNPC) and the environmental groups. Unfortunately, intellectuals have been avoiding the nation's thorny issues. They can create a much-needed buffer zone between the government and the environmental groups. Perhaps not surprisingly, the Korean people do not trust their government after having spent so long under authoritarian rule. US and European governments failed to gain public trust in their operation of nuclear power plants, either. Still, the Korean situation has been worse. The government has not only operated the nuclear power plants, but has also virtually regulated them at the same time. Although there has not been a serious mishap involving the nuclear power plants, public fear remains. KHNPC and the Ministry of Commerce, Industry and Energy (MOCIE) are overseen by the Ministry of Science and Technology, which comprises cabinet members, and the Korea Atomic Energy Commission, which is composed of respectable scientists. However, they all are identified as parts of the government authority. Under the circumstances, the active involvement of intellectuals in society is badly needed. The US Energy Department's site characterization studies are thoroughly reviewed by the Nuclear Waste Technical Review Board created by the US Congress, General Accounting Office and the National Research Council. Korea needs such an institutional arrangement for a trustworthy site selection process and the future construction and operation of the eventual disposal site itself.

The Korea Environmental Federation, one of the most powerful environmental NGOs in the country, made the following proposal to the government: "if you promise not to construct any more nuclear power plants, we will help your search effort." That could have been a good starting counterproposal. From there, the government and the environmental groups hopefully could have found a middle-of-the-road solution. Unfortunately, the proposal was never accepted by the government. Why? The government responded: "it is impossible for us to consider such a counterproposal." I would have proposed instead: "until the safe operation of the disposal facility has been demonstrated for a period of five years, future construction of nuclear power plants will be shelved." Or any intellectuals could have proposed that: "the government should cut the number of nuclear power plants planned for future construction on the condition that the environmental NGOs join the search effort." Unfortunately, such proposals have never been made.

The environmentalists believe that energy price hikes, conservation policy, and developing renewable energy sources should be the focus of Korea's energy policy. The government, on the other hand, take a different view, and even though estimating future energy needs is not an easy task, the government has computed and forecasted future energy needs, and accordingly proposes to construct more nuclear power plants and coal-burning power plants. The environmental groups have not yet made any serious attempts at forecasting future energy needs, and rather, have confined themselves simply to making rhetorical policy proposals. First, the government and the environmental representatives should sit down to examine the nation's future energy needs, at which time negotiation or mediation may be possible, but unfortunately, this first step has not been taken. Even if the two sides were to meet, they may not reach a middle-of-the-road solution. Their foregone conclusion may be the same: no compromise, no mediation. This is a sad state of confrontational politics that is crying out for the participation of intellectuals or professionals in society in order to thaw the icy relations existing between the two groups.

The meaningful input of stakeholders and targeted analysis – involving input from the physical and social sciences – is at the heart of the message of the report: "Understanding Risk" (Stern and Fineberg, 1996; Flynn, et al, 2001) and central to making smarter environmental management decisions. Social trust, public deliberation, and transparency are essential in searching for a publicly acceptable radioactive waste disposal site and later, in its operation. While the Korean government has been searching for a low-level radioactive waste disposal site, environmental groups have responded as if they were fighting against a proposed permanent disposal site of high-level radioactive waste. The public does not distinguish low-level radioactive waste from high-level radioactive waste, and environmental groups also treat both types of hazardous waste equally. Under the circumstances, the more that intellectuals and professionals participate in the site selection process, the more likely it is that a scientific and rational decision-making process will emerge, and the more likely it is that a solution will present itself.

The local elites – local councilmen and women, school teachers and principals, local newspaper and radio journalists – are not educating people at the grass-roots level about nuclear facilities. This could be because their perception and knowledge of nuclear energy and waste disposal sites are no different from the general public's. The questionnaire survey that I have just had completed shows: 40 percent of the elite group are anti-nuke; 25 percent are pro-nuke; and 35 percent are neutral or "don't know." The general public are no different from them, and yet registering a majority of 51 percent is essential for the forthcoming referendum on the siting of the waste disposal facility. The elite group's main concern seems to extend no further than the amount of economic compensation that their community will receive from agreeing to host the waste facility. Their role in bridging the knowledge gap that exists between nuclear science and technology on the one hand and their neighbors on the other is therefore very limited or marginal (Choi, 2005a).

The government and the KHNPC have failed to explain clearly to the public the reasons for having an energy policy that relies heavily on nuclear power, and have failed to link together nuclear energy policy and radioactive waste management in a way that enables ordinary people to make informed decisions. Despite the fact that Korea bears a heavy cost burden by importing petroleum, Korean people do not feel that nuclear power is necessary, and yet their economy couldn't prosper without it. Unfortunately, they have been overwhelmed by the fear of possible nuclear disasters, and unfortunately the government has failed to take the necessary measures to allay these fears. There has been no constructive dialogue and discussion between the government and the environmental NGOs and local residents. That is indeed a sad state of affairs. South Korea's agreement to supply 2 million kilowatts of electricity to North Korea will no doubt have been greeted with mixed feelings on the part of the anti-nuke supporters as they also desire the peaceful co-existence of the two Koreas and the eventual reunification of the nation. Of course, such an arrangement with the North may also help in overcoming the current impasse between the government and the public, in that North Korea may provide a waste disposal site for South Korea in return for the 2 million kilowatts of electricity. Indeed, there is already a precedent set by North Korea for agreeing to host a nuclear waste storage facility, as it agreed to dispose of Taiwan's low-level waste in the 1990s in Hwanghae Province for much-needed foreign currency at the time.

Korea should participate in an international forum or consortium with the purpose of overseeing an international effort in searching, constructing and operating regional disposal sites. Russia and China hint that they will provide such sites in Central Asia and in the Gobi desert, while in return Korea and Taiwan could provide the money and technology needed to Russia and China. This is a realistic possibility in the future. The United States National Research Council has already organized an international forum to examine the problem of nuclear waste management from a global perspective; in the circumstances, Korea should find a way to participate in this international consortium. (Choi, 2001). Senator John Kerry, the 2004 Democratic presidential candidate, also proposed an international consortium responsible for overseeing the disposal of high-level waste and spent fuel.

Sooner or later, the long painful process will be over. Addressing the safety concerns of local residents and providing an economic compensation package to the local government and the community will be positive measures in helping to change the popular mood against nuclear facilities in Korea, just as they have done in other countries in the past. However, the democratic process of local elites and residents in deciding how to use the initial 3,000 billion won capital injection and the 85 billion won annual income for their communities will be a critical factor in gaining public acceptance of nuclear facilities in the future. Such a compensation package was decided by the Central government alone. Ideally, it should have been decided by a series of meetings between the Central Government and potential host community representatives. The context for economic compensation provided in return for the siting of a nuclear waste disposal facility is as follows:

1. Society as a whole, which in this case means the residents of South Korea, benefits from the consumption of electricity, including electricity generated by nuclear power plants, hospitals using nuclear medicine technology and various research institutions.
2. This form of electricity generation and medical and other researches produces radioactive waste.
3. A small sub-section of society will be selected, by a legitimate process, as a host community for a facility for managing this waste.
4. The host community will bear a particular set of negative impacts that society, as a whole will not. It could also accrue specific positive impacts (for example, jobs).
5. The host community should receive certain benefits for any negative impacts.
6. These benefits could be in addition to those resulting from electricity consumption and researches.
7. The cost of providing these benefits will be borne by society as a whole.

Once the site is selected, the host community deserves a final consultation with the Central Government or KHNPC, in which the safety and health of the local people will, and must be given overriding consideration throughout the complete decision-making and financial decision-making processes. Emergency response and evacuation planning drills must become institutionalized events in the local people's everyday life. Developing an image of a science town will also help to ensure public acceptance of nuclear facilities both now and in the future.

The host community should not be stigmatized as a "waste land." It should project an interconnected image of an "environmental town," a "science town," and a "nuclear research and development center" to both insiders and the outsiders, just as the environment, science and R & D centers are all interrelated and interconnected.

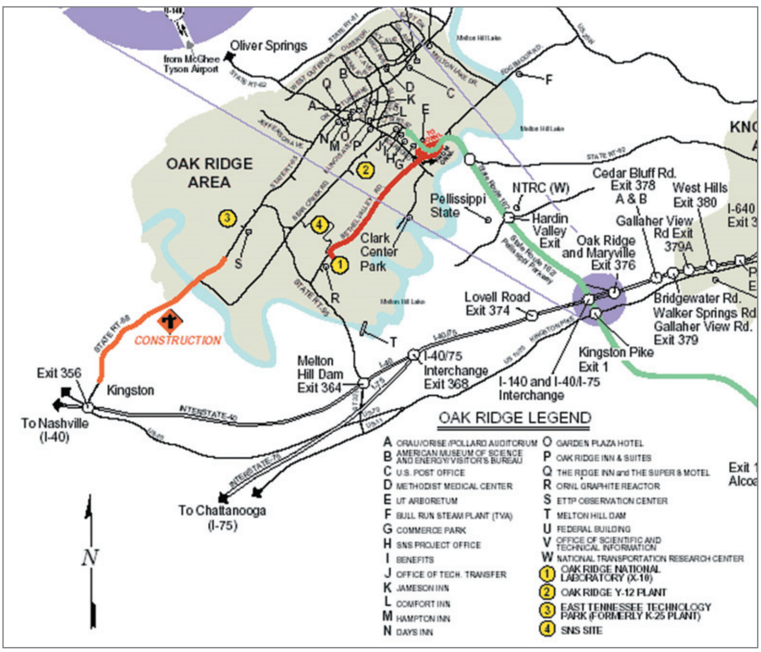
The environmental town is an environmentally sound town in which people breathe clean air, drink clean water, and enjoy nature. Groundwater and surface water should not be contaminated by radioactive materials. Soil should be preserved in pristine condition, and the air should be fresh as much as possible. The man-nature relationship should be courteous and respectable. The environmental town is an environmentally healthy town. Monitoring air, water and soil qualities should be done all year round by independent expert environmentalists and resident representatives. Monitoring should lead to a color-coded warning system ?white, yellow and red?maintained and activated if need be as part of an overall system of evaluation and emergency planning for safeguarding the people in the local community. Communication between the waste management managers and the people in the community should be open, honest and transparent. Residents' health should be checked regularly, at least annually, and their health and medical insurance policy costs should be partially subsidized by the fees generated by the waste disposal facility, in the event that they need special policy coverage because of their physical closeness or exposure to the facility. Results of their states of health should be reported to the local and national health organizations in order that a comparative analysis of the nuclear town with other towns across the country can be conducted. In other words, environmental health should mean the townspeople's health and safety.

This modern age especially needs humane and environmental ethics. Modern man, in his role as a citizen in society, is now alienated from himself, from his fellow man, and from nature. He has been transformed into a commodity and consequently considers his his lifespan in terms of an investment that must bring him the maximum profit under the existing market system. Man bows down and submits to the demands of his own work, his machines, and his organization of production and consumption, and loses the experience of himself as a creator and subject of his truly human powers of love and thought. Thus, human relations become more and more alienated as a result of automation, which has also resulted in humans becoming more alienated from nature. It is a sad commentary on the modern state of the relationships between man and his fellow man and between man and nature. Environmental ethics could restore these relationships by empowering citizens and nurturing citizenship.

The science town is predominantly a scientists' and engineers' town. Naturally, the town attracts nuclear physicists and engineers, nuclear medicine and environmental health professionals and researchers. The host community for the waste disposal facility should be located in a town similar to Daeduk, a research town near the city of Daejon in South Korea, or in one like Oak Ridge, Tennessee, USA. Oak Ridge has more Ph.D. holders than any other comparable town in the United States. Most of them are working for Oak Ridge National Laboratory, which once developed atomic bombs, and now is developing peaceful uses for nuclear energy. It is an affluent science town with one of the best school systems in the United States.

Oak Ridge, birthplace of the atomic bomb, sprang up during World War II as a center for developing and producing materials for the atomic bomb. Oak Ridge now ranks as one of the largest cities in Tennessee. The 2000 census shows a population of 27,387 and the city covers 92 square miles. The US Federal authorities selected Oak Ridge as the site for the atomic laboratories because of the abundance of water and electric power there. Also, its strategic location in the hills and valleys helped isolate the various plants. About 1,000 families were removed to clear the area. By 1943, the town had a population of about 50,000.

〈Fig 4〉 Oak Ridge , Tennessee



Oak Ridge is the home of the American Museum for Science and Energy, and the Children's Museum, which features innovative exhibitions, programs, and workshops for all ages with an emphasis on science, art, and history. The Oak Ridge National Laboratory is also engaged in non-atomic research such as changing salt water into fresh water. Oak Ridge is a historical city with a scientific future. Its domain name is science.gov on the world wide web.

Korea could learn a valuable lesson from the City of Oak Ridge's history and experiences by designing the eventual host community for the waste disposal facility along similar lines as the scientific town of Oak Ridge

The nuclear research and development center will also transform the image of the host community as a wasteland into a science town. Eventually, it will be a nuclear energy R & D town. The nuclear R & D center will be engaged in nuclear fusion research. Nuclear fusion occurs when two lightweight nuclei fuse (combine) and form a nucleus of a heavier element. The products of the fusion weigh less than the combined weights of the original nuclei. The lost matter has therefore been changed into energy. Fusion reactions that produce large amounts of energy can be created only by means of extremely intense heat. Such reactions are called thermonuclear reactions. Thermonuclear reactions produce the same form of energy as that generated by both the sun and the hydrogen bomb. Scientists have not yet succeeded in harnessing the energy of fusion to produce power. The center will be engaged in nuclear fusion research and renewable energy development such as solar, wind, biomass, and tide. So the waste disposal facility must only be one part of the science town, not all of it.

The town's population will comprise highly educated and trained scientists and engineers, who will earn higher than average incomes and pay higher income and property taxes to the national and local governments. Their children will attend the best or one of the best school systems in the nation, made possible by the income generated by the nuclear research and waste management and storage facilities. The town should be designed as the nation's flagship environmental and science town, and nuclear R & D center. It means that the town will have more Ph.D. holders than any other town in the nation, and will proudly possess some of the nation's greatest intellectual minds and visionaries. In essence, it should be the Oak Ridge of South Korea.

If the host community is an island, it should be like Olkiluoto, Finland, a small island of approximately 10 square kilometers on the Finnish West Coast. It is a beautiful, clean, environmentally designed island that symbolizes nuclear science, technology, safety, and "living better through advanced technology." Every visitor to Olkiluoto is impressed by its beauty and its thoughtful design.

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