

Pyongyang's Adjustment in the Post-Cold War Era: Modifying the United States' North Korea Policy

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Following the collapse of the Soviet Union and the end of the Cold War, the Democratic People's Republic of Korea (DPRK, North Korea) finds itself increasingly isolated diplomatically. Moreover, confronted with a contemporary world that is on the march toward openness and reform, North Korea in recent years has changed its trade, economic, and foreign policies. While maintaining the policy of deterrence, the United States and Japan can utilize political engagement, and offer the DPRK inducements and economic assistance to create an external environment that increases the chances of the gradual evolution of reform in the DPRK and reduces tensions on the Korean Peninsula.

The evolution of North Korea under the current leadership of Kim Jong-il will be decided primarily by internal events; but the external setting is not irrelevant, particularly given the economic difficulties and political isolation imposed on Pyongyang. It is vital for regional stability that every effort be made to bring North Korea into the international community.

Keywords: decentralization, deterrence, evolution, initiatives, reform

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The collapse of the Soviet Union and the end of the Cold War was a serious blow to the Democratic People's Republic of Korea (DPRK, North Korea), which finds itself increasingly isolated diplomatically. Confronted with a world that is on the march toward openness and reform, North Korea seems willing to stay as a rigid Stalinist country. It has not gone the way of the Soviet Union. Instead, it has continued to maintain domestic order and political stability. Even though isolated and with a stagnant economy, the recent nuclear crisis would demonstrate that Pyongyang is capable

of exerting significant pressure on the international community.¹ Some have even suggested that nuclear weapons may serve to prop up both a sovereignty and security system that have fallen apart because of the collapse of global communism, skilled South Korean foreign policy, and North Korea's own economic difficulties.² The North Koreans, despite their disclaimers of any intent to acquire nuclear weapons, may find such a logic compelling. It is, of course, impossible to prove such a conjecture, but there is little doubt that the North is keenly aware of the political significance of international concerns about its nuclear program, and Pyongyang has used this concern as a bargaining lever in its relations with other states.

While the South shares the U.S. goal of stopping the North's nuclear program, it appears that it also wants to avoid the collapse of the DPRK regime. Seoul would prefer a gradual process during which the North's economy is opened up and developed—the *perestroika*³ without *glasnost*⁴ development model. A variant of this model is being practiced in mainland China. Ultimately, according to the optimists' scenario, the decentralization of economic power would lead to a decentralization of political power and the emergence of a more affluent and pluralist North Korea which would facilitate a process of gradual reunification. While Pyongyang has recognized the necessity of proceeding some distance down this road, it is still far from accepting the need for *considerable* change.

Whether a totalitarian system such as that of the DPRK, how-

¹For details, see Sharif M. Shuja, "Rethinking North Korean Nuclear Program," *Communist and Post-Communist Studies* (Los Angeles, forthcoming). The author argues that the West's perception that North Korea is developing an atomic bomb has in fact strengthened Pyongyang's hand in international negotiations in general. Thus, fear of North Korea's future nuclear weaponry has allowed the North to accomplish multiple objectives, such as the enhancement of its prestige vis-à-vis South Korea and the attainment of an advantageous bargaining position in dealings with the South. Pyongyang thus appears to have offset its inferiority in conventional arms and strengthened its diplomatic and political leverage in negotiations with Washington, Tokyo, and Seoul.

²Based on the author's research and interviews in Korea. Also, this author has benefited from readings of a number of East Asia specialists, including Robert A. Scalapino, Andrew Mack, Adrian Chan, James Cotton, Colin Mackerras, Nancy Viviani, Sang Woo Rhee, and Yung Hwan Jo.

³A Russian word meaning progress, it was introduced and adopted along with *glasnost* in the Soviet Union by Mikhail Gorbachev in 1986.

⁴A policy of increased freedom in social and cultural matters, introduced in the Soviet Union by Gorbachev in 1986. A Russian word meaning openness, *glasnost* was adopted by the Soviet government in conjunction with *perestroika*, which heralded a new flexibility in the organization of the economy of Russia, and facilitated the improvement of relations with the West.

ever successful it might have been, can continue to operate with the same degree of effectiveness and without any major change in the post-Cold War era, is the question facing not only students of politics but also the decisionmakers involved in the Korean question, and above all, the DPRK leadership. And following the collapse of the Soviet Union, the United States irrefutably claimed the mantle of the world's most powerful nation. Therefore, one could argue that in Asia, including Northeast Asia, the United States is an extremely important power at all sorts of levels:

While discussing in the next section the general trends in post-Cold War international relations and their impact on the Korean Peninsula, this article argues that the DPRK, in recent years, has only changed its trade, economic, and foreign policies; the "fundamentals" have not been changed since it is still a command economy. While maintaining the policy of deterrence, the United States and Japan can utilize political engagement, and offer the DPRK inducements and economic assistance to create an external environment that increases the chances of a gradual evolution of reform in the DPRK. The evolution of North Korea under the current leadership of Kim Jong-il will be decided primarily by internal events; but this article argues that the external setting is not irrelevant, particularly given the economic difficulties and political isolation imposed on Pyongyang.

Trends in Post-Cold War International Relations

Three general trends can be identified in post-Cold War international relations.

First, on the security front, we have observed the decline in the salience of strategic nuclear weapons. The world is in transition from nuclear to conventional deterrence at the central (global) level. In the Cold War era, the strategic pillar of mutual assured destruction (MAD) made conquest difficult and expansion futile by either camp. The futility of expansion accounted for robust deterrence. Moreover, nuclear deterrence was robust for at least two other reasons: (1) due to the futility of overkill, it was possible for the superpowers to reach a weapons parity, and thus equilibrium, bringing stability to the system; and (2) ever fearful of the massive destructive might of nuclear weapons, each superpower had a powerful incentive to constrain its followers, lest a reverse proxy war break out unwittingly.

Thus, on the security front, we recognize that there is a growing trend toward depolarization, with the United States as the sole su-

perpower. With the danger of thermonuclear warfare greatly diminished, the world has become more peaceful. But at the same time, new short- and long-term security challenges have come to the fore, such as the ongoing mid-intensity regional conflicts, the proliferation of weapons of mass destruction, and uncertainties surrounding the reform process in the Commonwealth of Independent States (CIS) and in other former socialist countries.

Second, on the economic front, there is a continuing trend toward tripolarity, with the European Union (EU), North America, and East Asia as the major poles. Each of them accounts for approximately one-fourth of the world's gross national product (GNP). The importance of economic factors in defining international relationships has grown relative to politico-security factors, and one of the major economic challenges facing us today is, of course, the possibility of increased friction among the three major economic poles.

This perception of tripolar economic alignments, in turn, makes us ask ourselves the following questions: Will the transatlantic security partnership run into trouble? Will transpacific trade friction intensify? Can regionalism and interdependence coexist in such a way as to maintain an open trading system, despite, or perhaps facilitated by, the tripolar economic arrangement?

Finally, on the ideological front, the ideas of market democracy and market economy are becoming universalized.

These fundamental transformations of international relations have undoubtedly produced profound changes in the Korean Peninsula. First of all, the major foreign policies and relationships of both the South and the North have undergone significant changes.⁵ Although Pyongyang seems reluctant to acknowledge it, at least publicly, the tremendous changes that have taken place within its major allies and friends must have produced a profound impact on North Korea.

Changes in North Korea; Changes in Pyongyang's World View

In the last few years, we have witnessed a change, or at least signs of it, in North Korea's economic, trade, and foreign policy outlook. There seems to be, in some areas, a willingness on the part

⁵See my article, "New World Order and Its Implications on the Korean Peninsula," *Australia and World Affairs* (Melbourne), no. 24 (Autumn 1995): 26-32.

of North Korea to adjust itself to the new winds: conciliatory pronouncements in the direction of openness and reform on the domestic front; more accommodation in its talks and relations with the South; new approaches to the West, particularly toward the United States and Japan; joining the United Nations; signing with the South an Agreement on Reconciliation, Nonaggression, and Mutual Exchanges and Cooperation and a Joint Declaration on the Denuclearization of the Korean Peninsula; accession to the International Atomic Energy Agency (IAEA) Safeguards Agreement; acceptance of IAEA inspection of its nuclear plants; the October 1994 U.S.-DPRK deal; and finally joining the Council for Security Cooperation in the Asia-Pacific (CSCAP). Many in the South⁶ think that these changes have come as a result of North Korea's anxiety to extricate itself from international isolation and, partly, to resolve the domestic economic difficulties it faces.

It is suggested here that, faced with economic stagnation at home and the loss of its former patrons, Pyongyang since the early 1990s has been trying to make some adjustments. It is now in the process of opening its economy and has indicated the need for economic assistance from abroad, including the Republic of Korea (ROK, South Korea). The challenge is how to turn to the "West," the ROK, Japan, and other countries without compromising the nation's political integrity or ideological base. Increased economic exchange with potentially hostile nations is not seen by Pyongyang as a particular problem, provided the focus remains on the acquisition of foreign exchange and technology of use to the DPRK. In itself, this is an indication that the current DPRK leadership is well aware of its economic situation and of the need to adopt new measures to rejuvenate its economy. The North Korean economy is in a shambles, and the country is very much isolated. Estimates vary about the severity of the economic crisis, and statistics are almost certainly unreliable, but the trends are less so. According to one report, the DPRK's GNP fell by 3.7 percent in 1990 and 5.2 percent in 1991.⁷

What matters to the North is not just its absolute performance but its performance relative to South Korea. The South's economy

⁶Based on the author's research and conversations with Korean leaders and academics in Seoul.

⁷Barry Gill, "North Korea and the Crisis of Socialism," *Third World Quarterly* 13, no. 1 (1992): 125.

by contrast grew by 8.4 percent in 1991 and the South's GNP appears to be more than ten times greater than the North's while its per capita income, estimated at US\$6,498 in 1991, was more than five times greater than the DPRK's estimated US\$1,064.

Industrial production and exports have been badly hit by the regime's inability to afford the hard currency now needed to buy spare parts for the Russian equipment used in many factories. But the most critical problem is oil⁸—until 1990, Russia was the North's major supplier. Oil shortages have slowed factory output and led to a decline in agricultural activity. The decline in exports means a further decline in hard currency reserves necessary to purchase oil. This will cause the economic crisis to intensify still further. The oil crisis also has serious military implications since the North can spare little fuel for exercises. Without exercises, the fighting ability of military forces deteriorates quite rapidly.

To resolve its economic crisis and to achieve economic self-sufficiency and modernization, the North needs assistance from abroad. The most obvious sources of aid and investment are South Korea, the United States, and Japan. The North also hopes to get billions of dollars in reparations from the Japanese for the suffering imposed by Japan during the colonial period.⁹ To attract foreign capital and investments, the DPRK has recently revised its constitution, adding clauses encouraging joint ventures, guaranteeing the rights of foreigners, and establishing a basis for expanded ties with capitalist countries. And Pyongyang has now promulgated laws on foreign investment, joint ventures, and foreign enterprises, allowing 100 percent foreign ownership. On December 28, 1991, the DPRK Administration Council created a Free Economic and Trade Zone (FETZ) around the cities

⁸The DPRK requires approximately 2 million tons of crude oil every year. Up until the end of 1992, 1.2 million tons came from mainland China and 800,000 tons in exchange for products of the DPRK's arms industry from countries in the Middle East. Since February 1992, mainland China has only been delivering 550,000 tons on credit. Due to its shortage of foreign exchange, Pyongyang is forced to resell a certain amount of this oil, which further exacerbates the energy crisis. The latter has caused a decline in industrial productivity. For details, see *Country Profile 1991-92: North Korea* (London: Economist Intelligence Unit, 1992), 72.

⁹The DPRK's relationship with Japan has been motivated mainly by economic considerations. To mitigate serious shortage of hard currency, Pyongyang began promising negotiations for US\$5 billion in reparation for harm suffered in the Japanese colonial period. The ROK had in fact received reparations of some US\$500 million in 1965. But the negotiations came to an impasse primarily over the issue of North Korea's nuclear weaponry.

of Rajin and Songbong.¹⁰ This action can be interpreted as a sign of new thinking in Pyongyang on economic issues.¹¹ It seems that the new leaders are more moderate and internationalist than their predecessors.

This economic motivation underpinning the new regional policy (security and diplomatic interests) in turn seems to be connected with the regime's concern about its own survival. Threats to the Kim regime are less external than internal. Economic hardship and popular demoralization may create social and political instabilities which are more formidable perceived threats to the regime than war with South Korea. Economic backwardness deprived the North of the economic leverage which the South has so extensively exploited in its *nordpolitik*.¹² Recognizing this, Pyongyang is seeking rapprochement with its enemies. North Korea's political leaders seemed to have reached the conclusion that incremental opening and economic revitalization achieved through the southward policy is less risk-prone than continued economic closure and stagnation.

Important economic changes took place in the DPRK at the end of 1993. In what may have been the first admission ever of failure by Pyongyang, the Korean Workers' Party (KWP) Central Committee announced in early December 1993 that the Seven-Year Plan (1987-93) had not been fulfilled, owing to difficulties arising from the demise of the Soviet Union and the former socialist bloc. The enormity of North Korea's economic problems arising from the failure of the plan was reflected in the government's inability to formulate a new long-term economic program. Instead, the following three years (1994-96) were designated a "period of adjustment in socialist economic construction," in which priority was to be given to agriculture, light industry, and foreign trade.¹³

One could note here that the development of the mining, power, and metal industries, as well as rail transport, was given the highest economic priority by the DPRK government in the late 1980s and

¹⁰Rajin is a small city, with a population of about 90,000; the total population of the Rajin-Songbong FETZ is about 130,000.

¹¹James Cotton, "Signs of Change in North Korea," *The Pacific Review* 7, no. 2 (1994): 223.

¹²For details, see Sharif M. Shuja, "Rethinking Korean Diplomacy: The Challenge of Transition from the Cold War," in *Proceedings of the 15th International Symposium on Asian Studies* (Hong Kong: Asian Research Service, 1994), 197-209.

¹³*The Far East and Australasia 1995* (London: Europa Publications, 1995), 456.

early 1990s. However, in the period 1994-96 emphasis was to be switched to agriculture, light industry, and foreign trade—a somewhat surprising development and an indirect admission that the economic policy of the past had failed.

Judging from the amount of economic data it publishes, North Korea is one of the most secretive countries in the world. The questionable reliability and the ambiguities of the limited official data provide additional problems in any assessment of the country's economic performance. In spite of these and other difficulties associated with estimating the national output of a communist country and converting the data into U.S. dollars, several estimates have been made. One such estimate assessed North Korea's gross domestic product (GDP) in 1995 at about US\$28 billion and per capita GDP at US\$1,240, while South Korea's GDP is US\$200 billion and its per capita GDP is US\$4,600.¹⁴ With its goal of achieving self-sufficiency and its pursuance of an inward-looking development policy (with little integration into the international economic order), North Korea's strategy most closely resembles that of mainland China under the leadership of Mao Zedong. North Korea is one of the world's most highly defense-constrained economies. According to one Western estimate, North Korea spent 21.7 percent of its GNP on defense in 1991. According to official government figures, however, only 12 percent of budgetary expenditure was allotted to defense in that year.¹⁵

The DPRK's rigid adherence to central planning has been, among other reasons, a major factor in constraining economic growth in recent years. Despite the implementation of market-oriented economic policies elsewhere, there were few signs, by mid-1995, that Pyongyang was ready to introduce any degree of economic liberalization or decentralization. However, the government did proceed with the legal and other institutional structures necessary to introduce Chinese-style special economic zones (SEZs, mostly in the northeastern region) in the near future.

In addition to the need to modernize the economy in all fields, serious problems of inefficiency (concerning arable land, labor, energy, transport, and mining in particular) have impeded development. North Korea occupies about 55 percent of the total area of the Korean

¹⁴Chris Cook, comp., *Asian Political Almanac* (New York: Facts on File, 1994), 6.

¹⁵Cited in *The Far East and Australasia 1995*, 460.

Peninsula, having a total area of 120,538 sq km (46,540 sq miles), but only 20 percent of North Korea's land is arable, and a generally harsh climate restricts the output of arable farming to one crop per year.

Severe economic crisis in the DPRK has also raised fears of an exodus of refugees to the South. If this were to happen, the ROK could find itself overwhelmed with an enormous economic and political burden. Thus, on the Korean Peninsula the old threat of military expansion has been joined by the new threat of social explosion. This poses unfamiliar challenges for United States and Japanese strategy, which has traditionally concentrated on preventing and repelling a conventional military attack. The new circumstances require a re-consideration of the established policy toward North Korea based on deterrence, economic isolation, and political contact. The challenge now is how to maintain deterrence while also coping with the possibility of chaotic change in the DPRK. While maintaining the policy of deterrence, the United States and Japan can utilize political engagement, and offer the DPRK inducements and an economic carrot¹⁶ to create an external environment that increases the chances of a gradual evolution of reform in the DPRK rather than instability. The United States, with its defense commitments to South Korea and Japan, and as the preeminent economic power in Northeast Asia, is in a particularly good position to launch this initiative.

The objectives of Washington and Tokyo should be twofold: First, they should create an external context that encourages the trend of reform in the DPRK. The evolution of North Korea under the current leadership of Kim Jong-il will be decided primarily by internal events; but the external setting is not irrelevant, particularly given the economic difficulties and political isolation imposed on Pyongyang. Second, the United States and Japan should offer the DPRK inducements to cooperate in implementing measures that strengthen the security of the Korean Peninsula at a particularly delicate time. The pursuit of nuclear weapons will increase the risks of confrontation on the peninsula, but taking steps to fulfill the 1991 Joint North-South Agreement could help.

¹⁶This term was first used by an American academic, Professor Edward A. Olsen. See his article, "Modifying the United States' Korea Policy: Offering Pyongyang an Economic Carrot," *Journal of Northeast Asian Studies* 1, no. 3 (September 1982): 47.

The overall purpose of the American, Japanese, and South Korean policy of engagement vis-à-vis North Korea should be to encourage North Korean policies that strengthen peninsular stability. This overall approach is designed to transform the security environment on the Korean Peninsula and to diminish sharply the risk of war. Moreover, removing obstacles to the North's international isolation would lay the foundation for peaceful reconciliation of the two Koreas. To this end I propose we rethink the wisdom of avoiding Pyongyang; instead, new multilateral initiatives should be taken to bring North Korea into the international community and make Pyongyang an integral part of the Western-oriented economic system.

Needed: New Initiatives

It should be remembered that prior to the surfacing of the nuclear issue, the general trend was toward an incipient economic opening of North Korea and an improved political relationship with the United States, Japan, and South Korea. With the October 1994 U.S.-DPRK deal,¹⁷ the nuclear crisis has temporarily eased. Indeed, one could believe that Pyongyang's fundamental attitude is gradually becoming more positive and that in order to enhance long-term regional security, North Korea's tentative economic opening should be supported. This is consistent with a common Asian perspective that to change a society one must engage it and influence it through a wide spectrum of multilateral initiatives. The United States, Japan, and South Korea should be considering ways and means to involve North Korea in regional cooperation. In the economic sector, the United States and South Korea might support the Northeast Asia Economic Forum¹⁸ and the Tumen River Area Development Project (TRADP). The Tumen project, a joint development program along the border with China and Russia under the auspices of the United Nations Development Program (UNDP), may prove to be a good way of helping North Korea to open up its economy and drawing it into the framework of multinational cooperation. The South Korean government seems

¹⁷According to this deal, North Korea was to be supplied with a new power reactor with modern technology incapable of producing weapons-grade plutonium. This is a big gift to North Korea but a greater gift to the people of America and the world if it defuses the threat of war in Korea.

¹⁸This is a nongovernmental organization devoted to facilitating research, dialogue, and the dissemination of information on economic cooperation in Northeast Asia.

ready to be actively engaged in the TRADP.¹⁹ Someone has even suggested that “all should support North Korea’s joining the World Bank and the Asian Development Bank.”²⁰

Regional economic cooperation could help relax political tension in the region and the world as a whole, and accelerate the Asia-Pacific region’s integration with the world economy. For example, if there were no political barriers, Russia could transport its export to South Korea by rail through North Korea, North Korea could export to South Korea directly without sending goods via Hong Kong or Japan, planes could fly between Japan and China, and between Japan and Vladivostok, directly over the Korean Peninsula, and China could use the Tumen River to gain direct access to the Sea of Japan. Interestingly, economic complementarity is the foundation for establishing economic collaboration in Northeast Asia. For example, Japan and South Korea have capital, technology, and managerial skills; North Korea and mainland China have abundant labor; and the Russian Far East, Mongolia, northeast China, and North Korea have natural resources—coal, petroleum, timber, minerals, and agricultural products.

It is in this context of wider economic cooperation in Northeast Asia that Beijing proposed the cooperative development of the Tumen River basin which is shared by China, North Korea, and the Russian Far East. Pyongyang is already involved in this project and in other regional economic activities. North Korea has already applied for membership in the World Bank and the Asian Development Bank and is also supposedly interested in joining the Asia-Pacific Economic Cooperation (APEC) forum. The Tumen River delta is the geographic and population hub of Northeast Asia. Beijing’s proposal contains several elements: (1) that the section of the Tumen River from the conjunction of the three countries’ borders to the river mouth be the common property of the three countries; (2) that China formally regain access to the Sea of Japan via the Tumen River; (3) that a port be constructed at Fangquan or Hunchun and that a railway/highway network be constructed in the Hunchun area to connect it

¹⁹This international project proposes to combine complementary factor inputs, such as Russian and Mongolian resources, Chinese and North Korean labor, and Japanese and South Korean capital, technology, managerial expertise, and markets.

²⁰Mark J. Valencia, “Preparing for the Best: Involving North Korea in the New Pacific Community,” *Journal of Northeast Asian Studies* 13, no. 1 (Spring 1994): 67.

to the hinterland; (4) that the three countries develop adjacent SEZs for the processing of raw materials and the manufacture of consumer goods; and (5) that Japan and South Korea help finance and implement the scheme.²¹

Advocates of the scheme argue that the development of the Tumen River delta will stimulate port development around the Sea of Japan and redress the present imbalance in development between the eastern and western coasts of the Korean Peninsula. In South Korea, labor-intensive industries are currently facing increasing labor shortages and are interested in transferring funds, technology, and equipment to mainland China and North Korea. North Korea is rich in minerals and industry has been developed, but the country has stagnated in recent years because of poor planning and a shortage of foreign exchange. The DPRK has an inefficient economic structure. Under proper conditions, North Korea could have a catching up "boom." Clearly, for North Korea to be productively involved in any regional economic and environmental initiative would require a change in its attitude and openness as well as a massive training and development effort to bring its capacity up to requirements. And to build confidence and experience in the norms of behavior in international society, efforts to engage North Korea should begin now in such fields as environmental protection and economic development.

Cooperation in environmental awareness and protection may include issues such as acid rain; the transportation and dumping of toxic waste; the prevention of marine pollution by harmonizing national policies, laws, and regulations; and ecosystem and fisheries conservation. North Korea certainly has shipping and fisheries interests in the region and is a member of the International Maritime Organization and the United Nations Food and Agriculture Organization. By calling attention to relatively politically benign but mutually threatening environmental issues, such as those mentioned above, states sometimes can achieve broader objectives.

We have earlier noted a change in North Korea's domestic, trade, and foreign policy outlook. Pyongyang has recently revised its constitution, adding clauses encouraging joint ventures, guaranteeing the rights of foreigners, and establishing a basis for expanded

²¹Mark J. Valencia, "Economic Cooperation in Northeast Asia: The Proposed Tumen River Scheme," *The Pacific Review* 4, no. 3 (1991): 265.

ties with capitalist countries. It has also moved forward with plans for a free trade zone in the Rajin-Songbong area, free-trade ports in Nampo and Chongjin, the development of SEZs; and with infrastructure development for its portion of the TRADP. The Chinese province of Jilin has agreed to invest in and jointly use Chongjin port.²² North Korea has thus embarked on an ever so tentative program of economic reform. Presumably, the DPRK government's approach is to establish a controlled zone in which export-related industries can be set up as joint ventures using Japanese, ROK, or other sources of funds. Such a scheme would see a share of the profits going to the DPRK while minimizing the influence of the capitalist joint venture partners. The existing infrastructure and labor base of areas such as Nampo suggest that this sort of zone has greater short-term potential than cross-border proposals in more remote areas such as the Tumen River. Nevertheless, any economic opening is likely to be gradual.

In view of the need for domestic economic reform in North Korea, Pyongyang's new interest in SEZs is of significance. Not only can this interest be interpreted as a signal that the DPRK leadership is prepared to countenance controlled involvement in the world economy on a greater scale than is presently the case, it also indicates that increased economic exchange with potentially hostile nations is not seen as a particular problem, provided the focus remains the acquisition of foreign exchange and technology of use to the DPRK. The SEZs appear to offer the DPRK a chance to improve its economic conditions without immediately being obligated to compromise its ideological base to any great degree, or perhaps more correctly, in a way that would be visible inside the DPRK. In this context, it is argued here that North Korea's attitude may be further modified by the "carrots" of external actors.

Problems and Prospects

There are several subtle policy questions that should briefly be addressed regarding U.S. involvement in economic or environmental cooperation in the region, particularly cooperation including North Korea.

²²Foreign Broadcast Information Service, *Daily Report: China-94-018* (January 27, 1994): 13.

First, a major unspoken question in Asia today is how far and how long U.S. "leadership" in the region will be accepted by Asian nations. Then, should the United States support a leadership role for Japan in these sectors in the region? The Clinton administration views Japan as an increasingly important global partner in peacekeeping, in promoting democracy, in protecting the environment, and in addressing major challenges in Northeast Asia.²³ Japan may, on the other hand, be reluctant to lead and its neighbors reluctant, for historical reasons, to accept its leadership.

The economic rise of East Asia, the end of the Cold War, and the relative decline in the economic importance of the United States (combined with what might be seen as strident Western attempts to impose human rights standards or, in the case of Japan, wide-ranging political and economic policies, on the region) combine to feed a backlash of anti-Western resentment. From Singapore and Kuala Lumpur to Beijing and Tokyo, voices may be heard talking about the need to resist Western economic, political, or cultural intervention.

Japanese interest in such thinking is still tentative, but it is perceived to be fed by the frustrations of the relationship with the United States. Despite American rhetoric under the Bush administration about building a "new world order," and under the Clinton administration about giving priority to the "partnership" with Japan, Japanese are very conscious that "Japan figures in U.S. thinking above all as a problem."²⁴ This could be criticized as extravagant, but when Prime Minister Morihiro Hosokawa actually said "no" to President Clinton's demands for a specific market share at the U.S.-Japan talks in Washington in February 1994, and the talks thereby collapsed, the Japanese public was generally supportive, "many expressed open delight, certainly no one complained."²⁵

Nevertheless, America's stated overall policy for the Asia-Pacific region is to help build a "new Pacific community"—a vision that sees America actively engaged in multilateral economic, political,

²³President Bill Clinton, "Building a New Pacific Community" (Address to Students and Faculty at Waseda University, Tokyo, July 7, 1993), *Dispatch* (U.S. Department of State: Bureau of Public Affairs) 4, no. 28 (July 12, 1993): 485-88.

²⁴Gavan McCormack, "Groping for Asia: Japan and the Dilemmas of National Identity," *New Zealand Journal of East Asian Studies* 3, no. 1 (June 1995): 49.

²⁵*Ibid.*

and security processes. To this end America is supposed to promote confidence-enhancing measures and regional initiatives that reduce tensions. To achieve this objective, all vestiges of the Cold War in Asia must be erased, including the tension on the Korean Peninsula.

Potentially prominent among these initiatives are those concerning the economy and the environment. However, the United States has yet to articulate specific policies for the economic and environmental sectors in Northeast Asia. The initiatives in environmental protection, however, could be used as a mutual confidence-builder and thus become a stepping stone to Japan exercising, and its neighbors accepting, its regional leadership in more critical sectors. The economic sphere is of course Japan's strength, and its capacity to lead in this sector is obvious. Most of Japan's neighbors, including North Korea, desire its yen, but without too many strings or Japanese dominance attached.

The United States should then encourage and support Japan to lead new economic initiatives in which North Korea could participate. Ongoing initiatives that also involve Beijing should be particularly targeted since Beijing may be helpful in encouraging North Korea's positive and continued participation.

In the economic sector, the United States could support the Northeast Asia Economic Forum and the Tumen River Area Development Project where North Korea shows great interest. It is vital for regional stability that every effort be made to bring North Korea into the international community. This could lead to the establishment of diplomatic relations between Pyongyang and the United States and the West, the lifting of economic sanctions, and foreign cooperation in the economic development of the DPRK.

Were North Korea to undertake structural reforms and move to an open door policy vis-à-vis other countries, as most East European countries have now done, it could facilitate stronger economic rapprochement with South Korea. The South would prefer a gradual process during which the North's economy is opened up and developed. This, if accomplished, would raise standards of living in the North and, as Seoul perceives, make eventual reunification less costly and traumatic.