Reunified Korea's Challenges and Status*

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The objective of this brief essay is to think about what a reunified Korea's internal makeup and strategic disposition might be. For many Korea-watchers inured to the seemingly endless North-South Korean duel, this may appear to be something of a surreal exercise. This will be particularly true of those in the "gradualist" camp who do not consider North Korea's collapse/transformation to be imminent. At best, they will see essays such as this to be little more than idle speculation about something that is not likely to materialize in the foreseeable future-- especially given North Korea's apparent ability to withstand stunning strategic setbacks thus far.

But what if the North Korean regime, and the brittle, exhausted system which they command (amidst growing signs of disorder), were to suddenly come apart? While we may not be able to accurately predict how or when North Korea might cease to be a going concern, so long as there exists the probability that Pyongyang could lose its grip (and there clearly is), it would be the better part of wisdom to try to anticipate and prepare as best we can for such an eventuality.

I. Inseparability of the Reunification Process, the External Security Environment, and Character of the Reunified Korean State

Perhaps the first point to note about the reunified Korean state ought to be that its post-unification status and challenges will largely be determined by the manner in which unification takes place. Clearly, reunification can occur under different internal and external conditions, and certain pathways to reunification are to be preferred over

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others. Given prevailing realities in and around the Korean peninsula, three pathways/scenarios appear more likely than others.

The first possible scenario might be one where a rapidly unfolding and mostly unanticipated chain of events brings about a sudden internal regime collapse in Pyongyang. This, in turn, triggers a system-wide disintegration in the North. In the succession struggle, politically motivated military factions find themselves checkmated by remnants of the party apparatus and state security forces. Demoralized, unsure and adrift, what is left of the bureaucracy stays out of the fray, as does the bulk of the armed forces deployed along the DMZ. With no effective day-to-day control present, alternative power groups (with no clear ideological or political loyalties) mushroom in urban and provincial areas. Nonetheless, solutions are not found to address pressing economic needs. A rudderless, downwardly-spiraling North Korea, through an ad hoc leadership council, seeing no other alternative, invites South Korea to assume control of the North. Merger terms are peacefully (and quickly) agreed to, and the Seoul government moves to reestablish order and socio-economic stability in the North. The United States, Japan, China, and Russia while acutely concerned have little time, but more importantly, do not have the necessary pretext to intervene in this largely internalized process. This imaginary scenario, were it to be given a name, might be labelled the "ardent nationalist's scenario".

The second scenario is the opposite of the above and features prominently in the nightmares of security planners in Seoul and Washington. The current talks between Pyongyang and Washington centered around the October 1994 Agreed Framework and KEDO break down. Economic and humanitarian assistance to Pyongyang comes to a halt. Pyongyang misguidedly seeks to use what it thinks is its most tried and true lever-- the threat and sporadic use of terrorism/blackmail against the South. Domestic public opinion forces the Seoul government to take a harder line against the North. Tensions rise dramatically as Seoul and Washington fail to coordinate their response to Pyongyang. Pyongyang miscalulates badly and goes that extra, fateful inch by raising tensions along the DMZ. Meanwhile, faced with rapidly worsening conditions (and fears either of internal persecution or pre-emptive attack), large numbers of North Korean refugees start escaping northward to China, across the sea to the South and to Japan and China, while sill others stream across less heavily fortified sectors of the DMZ. North Korean border guards, trying to stem the tide of refugees, take violent measures that result in heavy casualties.

The core leadership in Pyongyang is besieged; they stare into the abyss-terrified of mounting internal dissent and rapidly evaporating control. At the end of the rope, they decide to lash out in a suicidal moment and order an all out attack on the South. The North Korean general staff, thinking it has no better options, decides to

obey. War breaks out. The United States and Japan are immediately dragged into the conflict. China and Russia begin mobilizing, waiting for the most opportune, low-cost moment to become involved. Trying to keep the Chinese and Russians out of the melee, the United States and Japan expend not only lives and economic treasure, but waste important diplomatic capital that make postwar settlements uncertain at best. The peninsula is turned into a wasteland, millions are killed or displaced, and economic gains of the past half century reduced to rubble. Unified or not, under this "nightmare scenario", Korea ceases to matter in the global arena except as a basket case for international aid programs.

Compared to the frightening scenario above, the next and last scenario is almost soothing. The Pyongyang regime persist in being troublesome. It continues to play its cat-and-mouse games with Washington. It insults Seoul and avoids any meaningful dealings with the South. Yet, even in the face of a recalcitrant and unpleasant Pyongyang, Seoul and Washington effectively coordinate their respective and joint responses so as to avoid pressuring the insecure and vulnerable Pyongyang leadership. Humanitarian aid and limited economic assistance is provided to the North with few conditions attached other than that Pyongyang must cease armed provocation against the South. Gradually Pyongyang learns to "play by rules", seeing this in its long-term interests. Internal conditions improve in the North, and tentative but real discussions begin between Seoul and Pyongyang. Tokyo, Beijing, and Moscow contribute to this gradual process by acting as constructive intermediaries. Tension declines in and around Korea, as Pyongyang becomes more integrated into a network of interdependencies and as Seoul finds a comfort/trust level in its dealings with the North. Seoul-Pyongyang relations improve further in the longer term, opening an era of genuine peaceful coexistence that promise full political and social integration in the not too distant future. Variations of this theme, of course, is what has come to be called the "soft landing" scenario.

However the actual unification process occurs, the common denominator to all three of the above scenarios is the nature of the external security environment. Clearly none of the above scenarios could be realized in the absence of the United States, Japan, China, and Russia believing either one or both of the following: first, that unification of the Korean peninsula on Seoul's terms would not be detrimental to their respective long-term interests; second, that even if these four powers were uncertain about the prospects of having a new mini-power in their midst, they would all consider attempts to prolong or prevent reunification more costly than going along with what would be more or less a fait accompli.

Put another way, the emergence of a unified Korea under scenarios one and three, would be indicative of an external security environment that is not in essence hostile.

Needless to say, the strategic disposition of a unified Korea under these circumstances is likely to be far different than, for instance, an external environment where unification takes place in spite of one or more of the surrounding powers taking (or seen to be taking) steps aimed at prolonging the division. A cautionary word, therefore, for Seoul's allies to exercise judgment and to keep their sights focused on the long-term when dealing with Pyongyang. What they may consider short-term expediencies in terms of mollifying Pyongyang-- unless these are seen by Seoul as integral to the longer term strategy of bringing about unification, peacefully and on Seoul's terms (which should be the allies' terms in any case)--may end up damaging relations with the reunified Korean state led by Seoul.

It also goes without saying that the status as well as the internal and external challenges to be faced by reunified Korea would very greatly depend on whether or not unification was achieved without major violence and physical destruction to the existing economic infrastructure. Thus, if scenario two were to come to pass, reunification would fail to hold any meaning either in terms of the aspirations of the Korean people, or in terms of what constructive regional and global role a reunified Korea might have been able to play. Once again a cautionary word, but this time to the hard-line camps in Seoul and Washington. While calling for a tooth for tooth, eye for eye response to Pyongyang's reckless provocation may make for suitable political theater, it definitely makes for very bad, not to mention dangerous, policy. Any aggressive, militant policy that could spark off large-scale armed conflict can only result in greater short as well as long term costs to Seoul. As frustrating as the current North-South impasse seems to be, Seoul must be even more patient, even more calculating, and resolve to wait out North Korea's impossible end game.

II. Post-Unification Challenges: Internal Dimensions

Assuming reunification takes place in the near future, along the lines sketched out in scenarios one and three, we can expect the reunified Korean state to possess, inter alia, the following attributes: On the positive side of the ledger, a relatively young and well educated population of sixty-eight to seventy million (a potential market 50% larger than the current South Korean one) under democratic leadership by the South, coupled to a fast-growing economy with the latent potential to grow even faster if North Korean productivity (proven in the 1960s and 70s) is successfully reignited with the right mix of capitalist incentives. This new state would also have greater access to natural resources, more productively exploiting it than the resource-rich but inefficient Northern half could manage prior to reunification.

On the opposite side of the unification ledger, the newly reunified Korean state

would be saddled with some gargantuan political and administrative challenges. It is beyond the scope of this paper to list and discuss more than just a few of these, but the range of post-unification issues to be tackled would certainly include problems of social and spiritual dislocation on the part of the Northerners unable to adjust to the new reality, the staggering financial cost of unification (estimated to exceed $1 trillion by several economic think tanks)[1] the real possibility of a very dangerous domestic political dynamic emerging should the Northerners find themselves alienated within a unified national context[2], the sheer administrative challenge of sifting through the political wreckage of the Northern regime--secret files, cataloguing new information, record-keeping/corrections, finding lost relatives, not to mention the monumental problem of reeducating nearly twenty-three million new citizen in short order, the no less daunting task of decommissioning nearly a million formerly North Korean soldiers and finding them gainful employment, the list is virtually endless.

Although it may be too early to say, priority will probably have to be given to some issues before others. If the German unification experience is to guide our thinking in this regard[3], then particular attention should be given to the following issues with respect to the immediate pre- and post-unification domestic context:

1. Creation of a Unification Fund

While there are many things to be done in anticipation of reunification, including as noted above, some serious thinking and planning about immediate post-unification contingencies and needs, perhaps one of the most important preparatory measures to be taken (indeed, should have been taken long ago) is the creation of a special unification fund. Although few if any taxpayers anywhere are likely to welcome additional taxes, there is every likelihood that, if the Seoul government frames this funding initiative in the proper context, South Korean taxpayers would agree to a new annual tax to defray future unification costs.

How much could this fund be? Even if we were to postulate a simple, flat unification tax of Won 100,000 ($125) per wage earner (19.8 million as of 1994) the unification fund would collect Won 1.98 trillion or $2.475 billion in the first year. This would clearly be a regressive tax, and adjustments would obviously need to be made in the real world, but it does give us a rough idea of the sums that could accrue on an annual basis. The real numbers, in fact, are likely to be much higher should corporate, transfer and other taxable sources (not to mention interest income) are figured in. Prudently managed, this fund could be used as collateral to raise an even bigger loan from offshore capital markets.

In additonal its economic significance, the political symbolism of this fund would be

no less powerful. It would be a concrete, positive sign to the international community of the Seoul government's seriousness of purpose, and a beacon of hope and source of encouragement to the masses in the North that people in the South are actually preparing to underwrite their costly transition and reintegration with the world.

2. Demilitarization, Re-education/-socialization of North Korean society

This may be the most difficult task, and not one that can be resolved to satisfaction expect over an extended period of time. As was true of East German society, North Korean society will exhibit those traits associated with very tightly controlled and militarized societies under totalitarian communist rule. More than likely, the psychological and sociological wounds will be far greater in North than was the case in East Germany given the Pyongyang regime's excessive brand of dictator-worship and oppressive control over every aspect of North Korean society.[4]

In the critical first months after unification, the Seoul government must therefore be in a position to deal, en masse, with this problem. Seoul will have to implement a wide-ranging re-education program for the younger North Korean population (8-18 yrs), a re-socialization/job training program for those of productive working age (18-58 yrs), while making sure that minimal needs of those approaching or in retirement (58 yrs and beyond) do not go unaddressed.

A special administrative challenge will be presented by the problem of how best to demobilize the Northern armed forces, and semi-regulars as well as those engaged in the military-industrial sector. More will be discussed on this issues later on in the paper with respect to challenges in the external dimension, but clearly Seoul will have to come up with some effective solutions to this potential bombshell of an issue. Demobilized troops, left unemployed and angry at the system, could constitute a particularly violent and dangerous opposition strata in the fragile post-unification domestic political milieu.

Coping with these issues will require a comprehensive and flexible administrative strategy, a capable organization and personnel network (official agencies, NGOs, individual volunteers working in coordination), and sufficient budgetary allocations to make it all work. Seoul cannot take a piece-meal, and therefore failure-prone approach on this first priority issue because if it fails here, it runs a real risk of courting severe domestic political turmoil at a minimum and possibly irreparable political fragmentation and renewed division.

3. Industrial Restructuring in the North

In order for the unified economy to get going as fast as possible, the Seoul

government must have ready a coherent strategy to integrate productive economic assets in the North to the Southern economy. But in order for this to happen, Seoul must have a prior or at least parallel strategy to efficiently rationalize/revive those northern enterprises than can be salvaged in relatively short order. Again, the German experience reveals that this will be no easy task. A noted German expert on unification/conversion issues, Ulricht Albrecht at Berlin University, indicates that industrial output in the former GDR declined by nearly 65 percent in the first year after unification.[5] Obviously, given that the South Korean economy is much smaller and more vulnerable than the German one, Seoul must find ways to be more prepared and more efficient than the Germans were.

A related problem here will be that of converting North Korea's numerous military installations and military-owned properties to civilian use. It is probably the case that most of North Korea's factories would turn out to be so obsolete as to have little commercial value. However, given the acute shortage of real estate in the South will mean that property values alone could amount to a significant sum. To dispose of these military installations and other state-owned properties, Seoul will have to create something akin to Germany's Treuhandanstalt (Trusteeship Agency) which would oversee the actual sales. It is difficult to tell at this time what the actual dollar value of the sales would be, but should the disposal of such assets go smoothly, this could provide some valuable capital funds for the Seoul government to add to the unification funds mentioned earlier.

There will of course be a multitude of related and competing issues, beyond the three very briefly discussed above, that will have to be addressed in the immediate post-unification internal setting. Many of them cannot be anticipated and prepared for in advance. The important thing is for the Seoul government to get on, in a serious, considered and coherent manner, with the task of preparing in advance for those challenges that it is sure to face. Seoul must begin with the recognition that, even at this rather late stage, its unification policy consists mostly of "ideas" to bring it about rather than well thought-out plans and material preparations should unification take place sooner than expected.

III. Post-Unification Challenges: The External Environment

Reunified Korea's external strategic challenges in the immediate post-unification period will be fundamentally shaped by the relationships it has with the four powers--China, Japan, Russia and the United States--and by the character of relations between these powers themselves.[6] As was briefly discussed at the outset, the emergence of a reunified Korea cannot be realistically contemplated without first

assuming, a priori, a generally positive set of relations amongst the four powers. All would have to see the emergence of a reunified Korea in at least a neutral, if not positive, light. While one or another of the powers may harbour some anxieties about what sorts of policies that a reunified Korea may adopt, none of these powers must be strongly opposed to seeing a reunified Korea amidst their ranks.

There can be no question that the surrounding powers are concerned by the prospect of a reunified Korea. While South Korea's diplomatic initiatives since the end of the Cold War have brought about a network of cooperative relations with all four of the powers, these are not sufficient to allay fears on their part that Korean reunification could somehow unleash a realignment process that could prove destabilizing to the already fragile Northeast Asian order. What could the reunified Korean state do in the immediate post-unification period to increase its own security while at the same time taking some meaningful steps to enhance regional security as a whole?

1. Reunified Korea's Political Security Amidst the Big Four

The two powers whose regional profile may be most affected by Korea's reunification, ironically, are the same two powers who find themselves in the position of having to most actively support the cause. Consider, for instance, the dislocative effects to the standing United States-Republic of Korea alliance, not to mention the implications to the U.S.-Japan alliance, of North Korea's disappearance as a strategic threat.[7] How could the reunified Korean state articulate a new set of strategic requirements that could prolong the stay of United States troops on Korean soil? Would domestic popular opinions in both Korea and the United States support continued basing of U.S. forces in Korea? How would the United States and Japan readjust to the disappearance of a key security rationale underpinning their alliance?[8]

China's strategic orientation toward a reunified Korea would certainly be very different should the latter be seen as a potentially hostile power. Should China's relationship with either the United States or Japan become friction-ridden, then Beijing would most certainly be very uncomfortable with a reunified Korean state allied to the United States. On the other hand, a reunified Korea moving closer together with China would be seen as a potential threat to Japan and, assuming the U.S.-Japan alliance remains strong, a threat to Washington as well.[9]

Russia's strategic perspectives can only be conditional and limited for the forseeable future. Preoccupied with its internal problems and having less at stake in the current regional dynamic than the other powers, Moscow is in a position where it is both less interested as well as less able to influence actual outcomes. Nonetheless, it would also

oppose a reunified Korea that is too closely aligned with the United States and Japan if only because it would want a stronger say in the region.

Even an extremely cursory overview of possible great power dynamics in relation to the emergence of a reunified Korea is sufficient to show how big a strategic challenge the latter is likely to confront in its initial years. It will have to find a way to tread lightly amidst its bigger and more powerful neighbours, but also maintain its autonomy and security--and do so possibly without recourse to an alliance with any one of the powers lest this alliance turn out to degrade rather than enhance its overall long term security prospects.

What would an ideal external environment for reunified Korea look like in which Seoul's strategic burden of "getting along" with the big four would be at its lowest? It would be one where first the United States, China, and Japan all recognize that their triangular relationship is inherently fragile and avoid actions that could destabilize it further. At a minimum, it would have to be a setting in which notions of "containing" China are not considered serious policy options. Instead, it should be a regional environment where the United States and Japan, recognizing China's sense of pride as well as its vulnerability, deepen their constructive engagement with China.[10] The United States, China and Japan also need to recognize that excluding Russia from current regional discussions is to court longer term dangers.

For Seoul, the ideal regional dynamic is one where there is no adversarial U.S.-Japan alignment against China, no Sino-American alignment against Japan, or a highly unlikely Sino-Japanese alignment against the United States.[11] A loose, flexible, and informal balance amongst the powers affords the greatest strategic leeway for the reunified Korean state to get over its initial, uncertain post-unification years. Its immediate pre- and post-unification foreign policy task therefore, should be one which strives to encourage the maintenance of good relations with all four powers and one which at the same time avoids unnecessarily aggravating ties with any one of them.

2. Security Guarantees and Non-Nuclear Status

What unilateral steps could the reunified Korean state take to enhance its security prospects? Obviously, the new state could seek to assure its military security by attempting to create a sizable independent deterrence capability. Given that the reunified state would "inherit" the North's million plus conventional army together with its known as well as covert inventory of weapons of mass destruction, this deterrent capability could include both conventional as well as nuclear, chemical and biological warfare capabilities. The new Korean state could choose to retain a very large, nuclear capable, military machine in the belief that this would be the only sure

deterrent against the big powers. If the surrounding powers were seen to be militating against Korean unification, but if unification were to occur in spite of this, the potential for this kind of scenario increases. Firebrand nationalists would have a field day exploiting public opinion to realize this option.

But going nuclear would be a serious mistake in the long run. First, there are no imaginable circumstances under which the United States, or for that matter any of the other powers, would accept a unified Korea armed with nuclear weapons.[12] Seoul would also have to renege on its NPT treaty commitments and in the process subject itself to international condemnation and sanctions-- something a very trade and energy dependent state cannot easily overlook. At a minimum, such a move is likely to bring about a very deep freeze in Seoul's relations with Washington precisely at a moment when it is likely to require Washington's extensive support.

Second, not only the United States but all four of the regional powers are likely to vehemently oppose such a move, not least because of the implications this would carry for Japan going nuclear in response.[13] Such an eventuality may prove to be the cause in the breakdown of U.S.-Japan relations, not to mention the start of an unpredictable spiral of deteriorating relations amongst the big powers. Nuclear arms racing in East Asia could become a very real possibility--with security degraded for everybody.

Lastly, unified Korea could be the biggest loser in the end. Under conditions described above, possession of nuclear weapons would hardly enhance unified Korea's long term security prospects. Korea would almost certainly be blackballed by the community of nations. The unified Korean state might possess a nuclear deterrent, but this would hardly deter what Korea ought to fear most-- the breakdown of its web of economic interdependencies, particularly with the United States and Japan, that keeps its economy going. A unified Korea, armed with nuclear weapons, could very well turn out be like North Korea today, isolated from the world and regarded as not much more than a threat to regional and international stability.

There is however, a sensible, forward-looking security strategy that the unified Korean state could adopt in the immediate post-unification period that could not only strengthen its long term security prospects but also help lay some critically needed foundations for a sub-regional security arrangement involving all four of the powers. The strategy, in its simplest construct, is rather straightforward and would consist of the following elements: first, the reunified Korean state would agree to renouncing the possession of nuclear weapons and dramatic cuts in the combined conventional military capability that would result after unification; two, the four powers then would sign, at the highest level in international treaties, a non-aggression agreement with respect to Korea that would carry an unequivocal clause committing them to the

non-use or threat of use of nuclear weapons against Korea-- with any violation of this treaty by any signatory to automatically invite sanctions by the other parties to the treaty; third, a subregional multilateral treaty organization to be created to implement and monitor this agreement, with the understanding that this body, in time, could form the basis for broader region-wide peacekeeping discussions and responsibilities.[14]

3. Reunified Korea's Armed Forces

Apart from the nuclear question, serious thinking will also be required in terms of the conventional armed forces. Reunification by the North and South would, in the absence of a major demobilization, create a huge standing army of over 1.7 million(the North is estimated to have over 1.1 active duty personnel, while the South fields 650,000). This oversized military machine (before reductions/defense conversion) is very clearly a liability, but it could also be an asset. If force reductions were prudently and judiciously employed as a strategic "chip" to be bargained away in the interest of enhancing overall security, it could well prove a valuable asset. Japan, in particular, but all four of the surrounding powers would have an interest in seeing a substantial decrease in the number of troops and could participate in helping to offset the costs of demobilization.

What would be the probable force level and structure for the new armed forces? Various figures ranging from a low of 300,000 to a high of one million have been put forward. But while it may be an interesting exercise to count beans before the event, it is not likely to be of much more than that. The actual shape of the unified army is likely to be determined more by domestic economic pressures and the prevailing external security environment in the immediate post-unification time frame. The unified Korean army will look like what unified Korea can afford at the time, and be configured to confront threats it feels it cannot otherwise deflect. In other words, Seoul's security policy will be more effective and less costly if its diplomacy with the big powers--as, for example, the security guarantee mentioned above--is successful.

The important thing to note here should be that there is no amount of military capability that even a reunified Korea could muster that could effectively vanquish a determined military assault by any of its bigger neighbours. This being the case, unified Korea should seek to build a military capability that is sufficient to make its potential adversaries pause to think, but not so big that it will seem threatening to them. A relatively small (certainly no bigger than current South Korean force levels) army, reconfigured to give greater stress to air and seapower assets with enhanced C4I capabilities, may be the optimal configuration.[15]

4. American Military Presence in Korea

Together with the nuclear question, one of the first priority security issues for the unified Korean state would be that of redefining under what terms, and at what levels, the United States would continue to keep its troops in Korea, if at all. The continued basing of American forces in Korea will depend on at least three factors: first, on whether or not domestic politics in post-unification Korea will be conducive to continued stationing of U.S. forces; two, whether or not the U.S. public opinion will support funding for American forces in Korea and Northeast Asia once the North Korean threat evaporates; and three, how China and Russia regard the role of U.S. forces in the region. Japan, presumably, would continue to wish for the U.S. to remain in the region if only because this permits Tokyo to defer question about its long term security needs until a later time.

The actual decision about the future of U.S. troops in Korea is likely to be determined by what sort of relations Washington has with Beijing and with Moscow at the time of Korea's reunification. If the United States' relationship with both is good, then we can reasonably expect them to view a residual U.S. presence in Korea (and Japan) as either a neutral or a positive factor (low threat, useful in terms of preventing Japan from seeking independent military policies). If, on the other hand, relations between Beijing and Washington were to deteriorate, the former would very likely feel threatened by U.S. troops in Korea and therefore demand their withdrawal.

For Seoul, which would be better off with having some sort of a special relationship with Washington even after unification, a regional dynamic characterized by a non-adversarial relationship between the United States and China would be the preferred strategic environment. Seoul should therefore seek to encourage cooperative dialogue between the United States and China on this issue. A variation of the 1989 Malta summit-- in this instance aimed at Sino-American agreement on the level of U.S. troops in post-unification Korea and possibly a timetable for eventual phase-out--might prove useful. Alternatively, such discussions could well be included as an agenda item for the Four-way talks proposed by President Kim.

5. Economic Security and Financing the Cost of Reconstruction in the North

Economic stability and growth is another major hurdle for unified Korea in the immediate post-unification period. The necessity for a unification fund, therefore, was mentioned in an earlier passage in this essay. Clearly, however, this fund alone would be greatly insufficient to the task of bringing about a rapid turn-around in the Northern economy and stabilization of unified Korea's economy as a whole. The new

Korean state will require substantial inflows of offshore capital investments for at least a decade or so it the German experience, once again, is to be of any guide.

One obvious source of extra funds available to the new Korean state would be the selling off of surplus weapons that would result after unification. In Germany's case, the sale of former East German arms inventories were quite considerable, making Germany the number two arms exporter after the United States in the first half of this decade. Should unified Korea also choose this path? A better route for Seoul to take might be a principled stand on this issue-- destruction of these weapons, minus the few that could be usefully added to its conventional defenses. This would have a very positive impact on the Asian scene where there is even today rising concern with respect to conventional arms racing.

What economic benefits would such a step provide? None directly. However, a unified Korea seen to be a responsible international actor, would have that much more leverage in going to international financial markets to borrow funds over the long term at more preferential terms. It would also gain unified Korea greater political credibility with Washington and Tokyo, one outcome of which might be their willingness to extend further market access for products manufactured by restructured industries in the North. A positive international image will also do wonders in terms of attracting foreign investments that otherwise might go elsewhere. With respect to the above, the unified Korean state will also have the opportunity to auction off large tracts of land previously held by the North Korean military. Managed properly, domestic and foreign investments into North Korean real property could provide significant and stable income streams to help finance economic reconstruction in the Northern half.

IV. Reunified Korea's Regional and Global Status

South Korea's status in the international community today could not have been imagined at its founding 1948. From its unpromising beginning, critically dependent on external aid for its economic and physical survival, South Korea has grown to be the eleventh largest trading country in the world, and arguably the second most important economy in Asia after Japan. South Korean-made cars roam the world, its shipyards provide a significant share of the world's ocean-going vessels, its semiconductors and electronic components go into the most technologically sophisticated computers and telecommunication devices. Per capita income has surpassed the $10,000 plateau, and South Koreans today enjoy material comforts that their parents only dreamed about. It now considers itself sufficiently wealthy and secure enough to join the OECD, where it will now be called upon, among other things, to provide a share of its national wealth

as economic aid to lesser developed countries.

Could a reunified Korea under Seoul's leadership maintain this growth pattern? Would it backslide, weighted down by North Korea's baggage? Could it even afford to unify given the terrific costs that are sure to be incurred? We have no way of knowing the answers to these questions in advance. We can be sure, however, that South Korea cannot refuse unification with the North on economic grounds. Any Korean leader or government to do so would forfeit the moral as well as historical authority to govern. The cost of unification must be borne by the South, because it will be the beneficiary of eventual economic recovery in the North. Without doubt the unified economy will experience difficulties-- probably more acute and possibly for a more protracted period than was the case with Germany. South Korea's high growth rates will probably take a temporary tumble as well.

But if South Korea's own rise from the ashes is any guide, North Korea unleashed from its communist shackles and given the right incentives is more than likely to recover much faster than expected. In many respects, the two Korean economies are complementary to an extent not shared by the two German ones at the time of their union. For one example, the infusion of northern workers into the unified economy, rather than balloon unemployment figures as happened in Germany, will fill out labor shortages in the South and dampen inflated wage pressures. For another, the nearly ten million southerners of northern origin represent a vast pool of skilled and relatively wealthy potential returnees who could spearhead reconstruction efforts and jump-start the northern economy.

The reunified Korean state, in any event, is sure to grow into a more significant international entity than either South or North Korea could separately aspire to become. The new Korean nation-state would have a population of nearly seventy million. And even at three fourths of its current per capita, a combined GNP only slightly smaller than that of Great Britain or Italy. A decade or so later, however, even at a relatively modest 5 percent growth rate, Korea's global economic position could be dramatically improved.

But all of this presupposes a relatively peaceful external setting, before and after Korea's reunification. It is true, as was stated at the outset, that the present discussion does not go much beyond the bounds of a rather speculative essay. Nevertheless, it bears noting here that for at least the past two decades since the end of the Vietnam War, the Asia-Pacific region as a whole has not experienced a major military conflict. Instead, Asian states have focused their attention to economic growth. They are now arguably well aware of the benefits of economic cooperation as opposed to the horrendous costs of war. Indeed, thoughts about the Pacific Century could hardly arise in the absence of this awareness in Asia's capitals. This momentum is still fragile, but there can be no question that regional institution-building, such as that taking place in

the context of ASEAN and the APEC process are outward signs of the impulse toward regional cooperation and identity.

The major powers in the region, the United States, China, and Japan retain significant powers to upset this momentum by fighting amongst themselves. Yet, arguably, they too are as tightly bound by the interrelated webs of interdependencies first amongst themselves, and also by their respective and overlapping sets of relationships with their trading partners. None can look lightly at major shocks to the system operating smoothly, and none presumably would act to bring about a rupture in it. To put it a little differently, this is one reason for believing that North Korea will not be permitted by the big powers to go out with a bang, as it were. None of the powers can risk such an exit for North Korea. While China or Japan, for their separate reasons, may wish for North Korea to stay on the scene, so long as the latter is on the way out, their interests are better served by North Korea disappearing quietly rather than not.

In order for South Korea to be able to peacefully integrate with the North, quickly recover its internal balance after unification, and eventually fulfill its promise as a key regional player, Seoul must not lose sight of the fact that its prospects are best when relations between the major powers are good. It should not press for unification when the timing and circumstances are not right.

In a sense, the "window" when a relatively quick unification could have been achieved is already closed. Had the Pyongyang regime collapsed in the reverse domino process that afflicted communist regimes in the former Eastern Europe from 1990-92, Seoul might have had unification at an earlier time. But the Kim Il Sung dynasty in Pyongyang proved stronger than those built by Hoxha, Ceaucescu, or Honecker. But this may not be a bad thing in the end. North Korea's slow death dance has given Seoul time to calm down from its state of excitement earlier in the decade, and forced it to look at the challenge of unification from a cooler, more sober footing. It must now proceed from there to prepare concrete steps in anticipation of the day the North finally reaches out for Seoul's helping hands.

Notes

1) Various government agencies as well as private-sector think tanks have published studies. For one example, see: *The Economics of Korean Unification*(Seoul: Hyundai Research Institute, September 1996).
2) Given the far wider disparity in between North and South Korean income levels, North Korean dissatisfaction in the initial years after unification could prove more profound than in the German case. According to poll figures cited in a recent German study, 71 percent of former East Germans feel they are second-class citizens six years after unification. See *Chosun*

Ilbo, 3 October 1996, p.8.

3) For an excellent treatment of the lessons to be learned from the German experience, see Jeong Woo Kihl, "Seodok-ui Tongil Waegyo: Hangguknae Nonuijaekirul wihan Shiron[West German Unification Diplomacy: Issues for Korea]" (Author takes liberty with translation), *Ilmim International Relations Institute Review,* Summer 1996, especially, p.32ff.
4) On the structural constraints on the Kim Jong Il regime and prospects for North Korea's survival, see Dong Bok Lee, "Kim Jong Il-ui Bukhan: Hangye-wa Jeonmang"[Kim Jong Il's North Korea: Limits and Prospects]", *Shin Asia,* vol.2, Fall 1994, pp.4-21.
5) Ulrich Albrecht, "German Host Nation Support to the Allied Forces and the US Forces", *Unpublished Paper,* September 1996, p.6.
6) For U.S. perspective on major power relations in East Asia, see Charles W. Freeman, Jr., "Reluctant Guardian: The United States in Asia, *Harvard International Review,* Spring 1996, pp.38-41. For Chinese view, Yang Chengxu, "Profound Changes and Steady Development", Chinese Peoples' Institute of Foreign Affairs, *Foreign Affair* Journal, No. 35, March 1995, pp.1-7.
7) For further discussion on this point, Kyongsoo Lho, "The U.S.-R.O.K. Alliance: Meeting the Challenges of Transition", in Tae-Hwan Kwack and Thomas Wilborn(eds) *The U.S.-ROK Alliance in Transition*(Seoul : Kyungnam University Press, 1996)
8) For American thinking on this, see Pat Cronin, "The Post-Unification Security Agenda", *Unpublished Discussion Paper* presented at Council of Foreign Relations, 17 July 1996.
9) David Shambaugh, "Growing Strong: China's Challenge to Asian Security", Survival, vol.36, no.2, pp.43-59.
10) On this point, see Joseph Nye's carefully thought out argument, "The Case for Deep Engagement", *Foreign Affairs,* vol.74 no.4, July/August 1995, pp.90-102. In a similar vein, Chalmers Johnson, "Containing China: U.S. and Japan Drift Toward Disaster", *Japan Quarterly,* October-December 1996, pp.10-18 Also, Thomas J. Christensen, "Chinese Realpolitik", *Foreign Affairs,* vol.75 no.5, September/October 1996, pp.37-51 and Kokubun Ryosei, "Chugoku no yukue", columns in *Yomiuri Shimbun,* 8-10 May 1996.
11) Chalmers Johnson, "Containing China…".
12) An excellent summary of regional nuclear proliferation issues can ve found in Andrew Mack, *Proliferation in Northeast Asia,* Henry L. Stimson Center Occasional Paper No. 28, July 1996.
13) Japanese analysts already use the potential "threat" of an enlarged Korean millitary capability post-unification to call for an increase in Tokyo's conventional defense capabilities. See, Kitaoka Shin'ichi, "The Case for a Stronger Security Treaty", *Japan Echo,* Summer 1996, p.73.
14) Under the right circumstances, the Korean Peninsula Energy Development Organization(KEDO) might be enlarged to include all of the interested powers and serve as the nucleus of such a body
15) A thoughtful discussion of unified Korea's possible military acquisition policy is found in Seo Hang Lee, "Dongbuka Gunsaryeok Jeungkang-gwa Tongil Hankkuk-ui Gunbi Jungchaek [Increasing Military Capabilites in Northeast Asia and Unified Korea's Armaments Policy]" Paper presented at the third Korean Association of Political Science International Conference, 1995. Also, Jin Pyo Yun,"Anbo Hwangyeong-ui Byonhwa-wa Hankkuk-ui Kukik[Changing Security Environment and Korea's National Interests]" Kukbang NonJip National Defense Journal, vol.33, Spring 196, pp.3-30.