

Building a Northeast Asian Community
Economic Cooperation and
the Role of Jeju Island

I believe that the foundation has been laid for a Northeast Asian community for peace and prosperity. To go one step further, I emphasize once again that the nations in the region must build trust. That trust will blossom from an objective look at past history and sincere repentance, and a common hope in the future.

Lee Hae-Chan, Prime Minister, Republic of Korea

Given the new circumstances, countries should adapt to this trend, grasp opportunities, meet challenges and work in unity on the road of win-win cooperation to build a Northeast Asia featuring political peaceful coexistence, economic equality and mutual benefit, cultural blending and emulation, and mutual trust in the security field.

Qian Qichen, Former Vice Premier of China

Regarding the creation of a "Northeast Asian Community" together with an "East Asian Community," don't you think it is time for Korea, China and Japan to go beyond the past and join hands and move forward. Respecting each other's individual traits and looking toward a community that is both materially and spiritually rich, let us move forward, step-by-step.

Murayama Tomiichi, Former Prime Minister of Japan.

I believe that wisdom and trust shaped by this forum would help resolve confrontation and mistrust arising from political or military differences. In light of this, the Jeju Peace Forum bears a profound significance for Northeast Asian community- building that is vital to peace and prosperity in the region.

Chung Mong-koo, Founder of the East Asia Foundation

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Building a Northeast Asian Community **Volume II**

Economic Cooperation and the Role of Jeju Island

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Building a Northeast Asian Community
Economic Cooperation and the Role of Jeju Island

**Building
a Northeast Asian
Community** Volume I
Toward Peace and Prosperity

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Jeju Development Institute · East Asia Foundation

Building a Northeast Asian Community [Vol. I]
Toward Peace and Prosperity

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Preface

This book is a collection of papers and essays presented at the Third Jeju Peace Forum, which was held June 9-11, 2005. Since it was launched in 2001, the biennial Jeju Peace Forum has become one of the most influential and regularized international conferences in the Republic of Korea, drawing key political, business, media and academic leaders from Northeast Asia and the world. The Jeju Peace Forum aims at exploring prospects for peace, security and prosperity in the region by raising common agendas and generating collective wisdom through the cultivation of human networks among leaders in the region. The forum has now become a new brand image for Jeju Island, which has been pursuing the twin goals of “Jeju as an Island of Peace” and a “Free International City.”

The Third Jeju Peace Forum, based on the broad subject of “Building a Northeast Asian Community,” was in particular framed around the three major themes of peace and security, economic cooperation and the internationalization of Jeju Island. This volume is a compilation of papers and comments related to these themes. Compared to previous years, the third forum paid greater attention to regional economic issues, such as free trade areas, banking and financial cooperation, energy security and logistical cooperation. This was a result partly due to Chairman Mong-koo Chung of Hyundai Motor and the East Asia Foundation, a generous sponsor of the forum, who emphasized the importance of regional economic issues during the second forum in

2003. The Third Jeju Peace Forum was particularly timely and meaningful as the Korean government officially designated Jeju as an “Island of World Peace” on January 27, 2005.

As this volume comes to press, we are reminded of the truly collective effort that went into making the Jeju Peace Forum a resounding success. Although it is impossible to thank everyone by name, we would like to express our appreciation to the following persons and organizations for their generous support.

The forum, as well as this volume, would never have materialized without the generous support of Governor Tae Hwan Kim and officials of the Jeju Provincial Government. President Bu-Eon Ko and staff of the Jeju Development Institute gave an outstanding performance for making the forum successful. We also thank the Ministry of Foreign Affairs and Trade, the ROK Presidential Committee on Northeast Asian Cooperation Initiative, the Jeju International Development Center, the Kim Dae-jung Presidential Library, the East Asia Foundation, and the Pacific Century Institute for their generous financial and moral support. President Chung Seok Ko of the Cheju National University also deserves our gratitude for co-hosting the forum.

It should also be noted that an unusual level of international collaboration is what made the Third Jeju Peace Forum an astonishing success. The Center for International Studies at Yonsei University in Korea, the Institute of East Asian Studies at Keio University in Japan, the Asia-Pacific Institute of the Chinese Academy of Social Sciences

and People’s University in China, the Institute of World Economy and International Relations at the Russian Academy of Sciences in Russia, and the Edwin O. Reischauer Center for East Asian Studies at Johns Hopkins University in the United States played an important role in developing forum agendas and recruiting conference participants. We thank all of them for their constructive contribution and participation.

Borrowing this occasion of publishing the proceedings of the Third Jeju Peace Forum into two volumes, we would like to send our deep-hearted, sincere appreciation to all those who took part in our small but ambitious effort. Without their sincere contributions, it would have been impossible for this kind of collective effort to bear fruit.

Last but not least, last-minute efforts for the book were made by Mr. Hyung Taek Hong, Secretary General of the East Asia Foundation, and his team of Mr. Dae-yeop Yoon, Ms. Sohee Che and Ms. Joo Hee Suh. We are grateful for their strenuous efforts.

We remain convinced that the Jeju Peace Forum will continue to serve as a major regional intellectual hub for shaping ideas, policies and consensus for the creation of a Northeast Asian Community based on peace, common prosperity and shared regional identity.

February 28, 2006

The Organizing Committee of the Third Jeju Peace Forum

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Toward Peace and Prosperity*

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PART I

Opening and Welcoming Remarks

Northeast Asian Community and the Island of World Peace, Jeju
Opening Remarks for the 3rd Jeju Peace Forum
Welcoming Remarks for the 3rd Jeju Peace Forum

*Northeast Asian Community
and the Island of World Peace,
Jeju*

Tae Hwan Kim

I would like to extend my deepest gratitude and express my utmost respect to Prime Minister Lee Hae-chan; to the distinguished guests from home and abroad; and to my fellow Jeju Province citizens. Welcome.

We are about to launch a discussion on a grand topic through the 3rd Jeju Peace Forum under the theme of “Building a Northeast Asian Community: Towards Peace and Prosperity.”

This forum has profound significance in the sense that it convenes for the first time since the Korean government designated and proclaimed Jeju as the “Island of World Peace” last January at the state level.

Especially, it is expected that this forum will have more concrete discussions on regional economic cooperation, which was inspired by the proposal to launch the “Wise Men’s Conference on Economic Issues in Northeast Asia,” set forth by Chairman and CEO Chung Mong-koo of Hyundai Motor Company at the 2nd Jeju Peace Forum two years ago.

Additionally, this forum has also provided momentum in building a network that is representative of the theme “Jeju World Peace,” by being co-organized by major research institutes from Korea, China,

Japan, Russia and the United States. Through such circumstances, we intend to continuously expand programs of exchange and cooperation in various ways, such as jointly holding a peace forum with local governments in China, Japan, and the United States.

In 1948, Jeju Province experienced the tragedy of the “Jeju 4.3 Incident,” in which many innocent fellow provincials were victimized. However, we, the people of Jeju, have never been discouraged and have persistently raised the flag of peace through reconciliation and cohabitation. The designation of Jeju as an “Island of World Peace” will heal the painful memory of the “Jeju 4.3 Incident” and will catalyze a dynamic force that is critical to realizing the vision of peace on the Korean Peninsula and building a Northeast Asian community.

Jeju, the Island of World Peace, intends to pursue a policy of peace not only for the sake of the island, but also for the sake of Northeast Asia and the world.

The International Peace Center Jeju, to be completed at the end of this year, and the Jeju 4.3 Peace Park, to be built by 2008, will become places dedicated to peace, experience and education. Particularly, the Peace Research Institute of Northeast Asia, to be established in Jeju next year, will produce knowledge and information for research on peace, exchanges, and cooperation.

I hope that every participant here will support and cooperate with the Jeju people’s will and efforts toward peace. These factors are indispensable for propelling and building an “Island of World Peace.”

I sincerely wish that the 3rd Jeju Peace Forum will end successfully with lively discussions and productive conclusions.

Again, I would like to thank all of the participants of this forum, fellow Jeju provincials, and especially, our most esteemed Prime Minister Lee Hae-chan, who generously took time out from his busy official schedule for this occasion.

Thank you everyone.

Opening Remarks for the 3rd Jeju Peace Forum

Chang-Young Jung

Honorable Prime Minister Lee Hae-chan; former Prime Minister of Japan Murayama Tomiichi; former Vice Premier of China Qian Qichen; former President of the 56th Session of the U.N. General Assembly Han Seung-soo; Chairman of the Korea Society Donald Gregg; founder of East Asia Foundation Chung Mong-Koo; Governor of Jeju Provincial Government Kim Tae-hwan; President of Cheju National University Ko Chung-seok; and distinguished guests!

It is my pleasure to announce the opening of the 3rd Jeju Peace Forum, with such great global leaders and international intellectuals here on the Island of Peace, Jeju. I sincerely hope that Yonsei University will play a part in making the Jeju Peace Forum a successful event that seeks peace and prosperity in the world as well as on the Korean Peninsula and East Asia.

Distinguished guests! This year, Yonsei University celebrates its 120th anniversary since its foundation. Yonsei’s 120 years of history are filled with the continuous search for knowledge and philosophy to bring peace and prosperity to the world as well as Korea, and Yonsei’s founding spirit of truth and freedom is especially similar to the peace

and prosperity that the Jeju Peace Forum envisions.

On this occasion, I'd like to emphasize the role of universities in realizing peace and prosperity. Universities have served as a forum where the free expression of thoughts and philosophy is guaranteed since Greek times. This is not different in eastern countries, either. Yonsei University is well known as an education institute that first started western-style modern education in Korean history. With this tradition in mind, Yonsei University will do the best to turn students into practical intellectuals who can lead theoretical discussions and also come up with pragmatic ideas.

Distinguished guests! I am confident that today's Jeju Peace Forum will end up with meaningful conclusions. I expect there will be profound and in-depth presentations and discussions in the economic panel as well as in the world leaders' session. I truly believe that every one of your comments will form the basic elements that make today's forum all the more meaningful.

I would like to extend my gratitude to all those who were busy organizing and preparing this forum. And again, I'd like to thank all of you for your attendance here, as well as for the interest and cooperation that you have shown. Last but not least, I'd like to send my sincere appreciation again to Governor Kim Tae-hwan, Chairman Chung Mong-koo and President of Cheju National University Ko Chung-seok for their efforts and support in hosting the forum.

Thank you very much.

Welcoming Remarks for the 3rd Jeju Peace Forum

Mong-koo Chung

Honorable Prime Minister Lee Hae-chan; former Prime Minister Murayama Tomiichi of Japan; former Vice Premier Qian Qichen of China; Deputy Secretary Nicholai Spasskiy of the Security Council of the Russian Federation; President Donald Gregg of the Korea Society; Jeju Governor Kim Tae-hwan; Vice Foreign Minister Lee Tae-sik; Vice President Min Kyung-duck of Yonsei University; and President Ko Chung-seok of Cheju National University and all honorable guests present today. It is my great honor to welcome you to the Third Jeju Peace Forum here on this beautiful Island of Peace, Jeju Island.

The East Asia Foundation is a co-host for this year's Jeju Forum. As the founder of the East Asia Foundation, I am honored to deliver this commencement speech for the Third Jeju Peace Forum today in the presence of distinguished leaders from all over the world.

The East Asia Foundation is a non-profit organization whose philosophy is based upon the premise that economic prosperity and mutual trust is the cornerstone of world peace.

Although the establishment of the East Asia Foundation was intended as a modest initiative for corporate social responsibility, it is with

great anticipation that the foundation may play a greater role in building peace and prosperity on the Korean Peninsula and in East Asia.

Honorable guests!

Hyundai Motors successfully completed the construction of its Alabama plant and held its opening ceremony last month. Former U.S. President George Bush and other prominent leaders attending the ceremony pledged to provide support for Korea and Hyundai Motors.

Through that momentous occasion, I was able to confirm again the close partnership between Korea and the U.S. that has been strengthened over half a century. The partnership will be beneficial not only to the relationship between the two countries, but also to building peace and prosperity in the rest of the region as well.

I am confident that this forum will serve as a great occasion to enhance cooperation and trust among world leaders gathered here today by mustering collective wisdom and channeling it into concrete plans and policies for the peace and prosperity of mankind. I also believe that the wisdom and trust shaped by this forum would help resolve confrontation and mistrust arising from political or military differences.

In light of this, the Jeju Peace Forum bears a profound significance for Northeast Asian community-building, which is vital to peace and prosperity in the region.

I hope the Jeju Peace Forum will continue to serve as a valuable platform that enhances channels of communication and builds dense networks of government officials and citizens in the region for a better tomorrow.

Finally, I am grateful to those who have made this forum possible. Thank you very much for your sincere interests in and dedication to the Jeju Peace Forum.

PART II

Political Leaders' Roundtable

Building a Northeast Asian Community

Building a Northeast Asian Peace and Prosperity

Ushering in a New Era of Peace and Development in Northeast Asia

Toward Peace and Prosperity in Northeast Asia

Domestic Politics and Community-Building in Northeast Asia

A New Path toward a Northeast Asian Community

Taking the Lead toward an Asian Community

Security Cooperation in Northeast Asia

China's Peaceful Rise and Peace and Security of Northeast Asia

China and Northeast Asian Cooperation

U.S. Politics and Community-Building in Northeast Asia

*Building a Northeast Asian
Community: Toward Peace and
Prosperity*

Hae-chan Lee

Former Japanese Prime Minister Murayama Tomiichi, former Chinese Deputy Prime Minister Qian Qichen, and distinguished guests!

I give my heartfelt congratulations on the opening of the 3rd Jeju Peace Forum on the beautiful island of Jeju and offer my warm greetings as a representative of the Korean government.

I would also like to thank the many people who have worked tirelessly to make this year's Jeju Peace Forum a success. After the 1st Jeju Peace Forum in 2001, the event is now celebrating its third year. Although its history is not long, I am glad to see that the event has already developed into an arena for discussing peace and prosperity on the Korean Peninsula and Northeast Asia.

Jeju Island has been blessed with beautiful natural surroundings and a temperate climate, and has excellent basic infrastructure. Furthermore, it is located at the geopolitical center of Northeast Asia, with 18 Korean, Japanese and Chinese cities with populations of 5 million or more located within a two-hour flight.

Aware of these advantages, the Korean government seeks to develop Jeju into an island that contributes to peace on the Korean Peninsula.

la, in Northeast Asia, and ultimately, the whole world.

To this end, the Korean government designated Jeju Island as an "Island of World Peace" last Jan. 27. We plan to nurture Jeju Island into a special administrative area open to all for free exchanges and cooperation. We will continue to lend the support necessary to help Jeju grow into a hub of Northeast Asia. I ask for your interest and support to help Jeju grow into an island that contributes to world peace.

Opening an age of peace and prosperity in Northeast Asia is the great task of our era and the call of history. We must create a new order based on cooperation and unity, overcoming the unfortunate past of colonialism and the Cold War.

This is not only for peace and prosperity for Northeast Asians but also to contribute to peace and prosperity for humankind. Already, Korea, China and Japan have maintained close relations in the areas of politics, the economy and culture for thousands of years.

In particular, in the past 10 years, the Northeast Asian economy has grown more dynamically than that of any other region, and economic interdependence is greater than at any point in history.

The fact that China became Korea's largest and Japan's second-largest trading partner last year is a testament to that trend. Trade between Korea and China will exceed \$100 billion this year. Investment among the three Northeast Asian countries is growing fast, and human exchanges are expanding as well.

Northeast Asia shares a common cultural tradition. The popularity of Korean movies, television shows and pop music in China and Japan shows the great potential for expanding this shared cultural tradition. With historical affinity and recent regional cooperation driving us onward, Northeast Asia is now looking at the possibility of realizing a regional community in the mid- to long-term future.

With this in mind, the selection of the theme "Building a Northeast Asian Community: Towards Peace and Prosperity" is especially appropriate.

Although all Northeast Asians long for common peace and prosperity, there are many elements of tensions and competition standing in the way. Unless these elements are appropriately managed and solved in a future-oriented way, we cannot ignore the possibility that the founda-

tion of cooperation built by the three Northeast Asian countries may be damaged. The North Korean nuclear issue, settling past history and intensifying competition over resources are obstacles that must be overcome to realize an era of peace and prosperity in Northeast Asia.

I believe that building trust is the most important step in overcoming the various difficulties and realizing an era of peace and prosperity in Northeast Asia. That trust must be founded on truth, modesty, consideration and thinking from the other's point of view. At the same time, we must put forth efforts to expand, intensify and institutionalize exchanges and cooperation between major Northeast Asian countries. We must have solid principles for solving problems and adhere to them. Finally, we must work toward our common goal of building a Northeast Asian community based on trust, reciprocity and mutual benefits.

Korea will play a constructive role in turning confrontation and tensions into reconciliation and cooperation, division into unity, and in preventing conflict in Northeast Asia.

The Korean Peninsula is the key to peace and prosperity in Northeast Asia. Inter-Korean reconciliation and cooperation not only politically supports peace in Northeast Asia but also stands as an important element for the economic development of the regions as a whole. This is why the North Korean nuclear issue is a problem that must be solved quickly for peace and prosperity on the Korean Peninsula, in Northeast Asia, and ultimately in the whole world.

It has almost been a year since the six-party talks that are the framework for solving the North Korean nuclear issue have been held. So far, the participants, including the United States, China, Japan, Russia and Korea, have put forth diverse diplomatic efforts with the common goal of denuclearizing the Korean Peninsula and solving the North Korean nuclear issue. However, the six-party talks have been delayed and have been unable to find a decisive breakthrough, raising the concerns of the international community. We call on North Korea to return to the talks as soon as possible to discuss matters of mutual interest.

I hope that North Korea will understand that we do not have infinite time to solve the North Korean nuclear issue and that the appropriate

time to tackle the problem is now. Furthermore, it is important to make practical progress through continued dialogue in addition to the six-party talks. To this end, the two Koreas and the international community must shed their impatience and not try to solve all problems and attain everything in one fell swoop. As Rome was not built in a day, peace and prosperity in Northeast Asia will only come about after many steps of dialogue and cooperation. The Korean government is aware that the participants to the six-party talks are doing their best to solve the North Korean nuclear issue.

We also hope that they will play a big role in persuading North Korea and exploring creative solutions. All the participants to the six-party talks want North Korea to be a part of the international community and achieve security and prosperity. In particular, South Korea is preparing a foundation for dialogue and cooperation based on inter-Korean economic cooperation. If North Korea makes the strategic decision to dismantle its nuclear program, South Korea will cooperate with the international community and spare no effort to guarantee North Korea's security and prosperity, and work to raise the quality of life for the North Korean people. In particular, we hope that other Northeast Asian countries will play significant roles in North Korea's economic development as well.

For the past 10 years after the end of the Cold War, Northeast Asia has built a foundation of cooperation within the larger flow of globalization. The three countries of Northeast Asia have cooperated for mutual benefits within the context of regional cooperative bodies in the Asia-Pacific region. We have also participated in counterterrorism and disaster relief. We are also cooperating in currency swaps to prevent a second financial crisis.

I believe that the foundation has been laid for a Northeast Asian community for peace and prosperity. To go one step further, I emphasize once again that the nations in the region must build trust. That trust will blossom from an objective look at past history and sincere repentance, and a common hope in the future. I ask for your continued interest and cooperation for the development of the Jeju Peace Forum and hope that this forum will yield creative discussions and results for peace and prosperity in Northeast Asia. Thank you.

Building a Northeast Asian Peace and Prosperity: Vision and Strategy

Tomiichi Murayama

Dear distinguished guests, It is an honor to be invited to the 3rd Jeju Peace Forum, and to speak today on the topic of building Northeast Asian peace and prosperity.

The year 2005 marks the 60th anniversary of the end of World War II and the 60th anniversary of Japan's defeat. This also means, in China's case, the 60th anniversary of its victory, while for Korea this year marks 60 years since its independence from colonial rule. In human years, this marks the momentous occasion of one's 60th birthday. It is the year when one returns to the starting point and begins a new life. As we experience the respect of peace and put the past in order, I would like to reflect again on the meaning of new beginnings in the postwar period.

In the case of Japan, if we go back 60 years and add on another 40 years to make it 100 years ago, it was the year of the Russo-Japanese War. For Korea, since it was a protectorate of Japan, this time of 100 years ago could be known as an era of sorrow. The Russo-Japanese War was not limited to Japan and Russia, but brought war to Northeastern China and the Korean Peninsula, and it is impossible to forget that these places also became targets of plunder. Intoxicated by the

victory of the Russo-Japanese War, Japan further annexed Korea and turned it into a colony, and even went so far as to invade China and eventually extend the reach of war into parts of Southeast Asia, and drew Asians in a vast region into the calamities of war. As for Japanese citizens, who were unaware of the truth, a cruel fate awaited them.

Fifty years after the war on Aug. 15, 1995, I gave an address to the cabinet. By acknowledging historical realities and by reflecting back and offering an apology, we could form a common sense of history and sincerely set into action a postwar settlement and thus I felt that we could reach a reconciliation. As a statement based upon the decision of the cabinet, this represented the Japanese government's official view. This view is as follows.

“During a certain period in the not too distant past, Japan, following a mistaken national policy, advanced along the road to war, only to ensure the Japanese people in a fateful crisis, and through its colonial rule and aggression, caused tremendous damage and suffering to the people of many countries, particularly to those of Asian nations. In the hope that no such mistake be made in the future, I regard, in a spirit of humility, these irrefutable facts of history, and express here once again my feelings of deep remorse and state my heartfelt apology. Allow me also to express my feelings of profound mourning for all victims, both at home and abroad, of that history. Building from our deep remorse on this occasion of the 50th anniversary of the end of the war, Japan must eliminate self-righteous nationalism, promote international coordination as a responsible member of the international community and, thereby, advance the principles of peace and democracy.”

It is a welcome sign that even after this statement was made, succeeding Japanese administrations inherited this as a basic line of policy. In the 1998 Republic of Korea-Japan joint statement by President Kim Dae-jung and Prime Minister Keizo Obuchi and in the 2002 DPRK-Japan Pyongyang declaration by Prime Minister Junichiro Koizumi and Chairman Kim Jong-il, the basic contents of the statement were included. However, words are shown through actions and it is important to strike a chord with the citizens of neighboring countries. The Japanese government should become more aware of this and

I believe must make more efforts to move toward realizing the course of the statement. In relation to this point, I hope that a careful judgment on the issue of Prime Minister Koizumi's visits to Yasukuni Shrine will allow for a courageous decision to be made.

After World War II, “Northeast Asia” became a spearhead, and the North-South division and the tragedy of the Korean disturbance still weigh heavily on the people of the ROK and North Korea. Today, the remnants of the world war structure still bring forth tensions on the Korean Peninsula and the structure of antagonism continues. However, with the June 2000 visit by President Kim Dae-jung to Pyongyang, the attainment of a South-North summit meeting became an epoch-making event, as it opened up the opportunity for reconciliation between the South and North and an easing of tensions in Northeast Asia. President Roh Moo-hyun inherited President Kim Dae-jung's policy and made a “peace and prosperity policy” as an objective of national affairs and the tenacious desire to stay in dialogue is highly praised.

In Japan's case, Prime Minister Koizumi visited North Korea in 2002. The fact that at this point the leaders of each country signed the DPRK-Japan declaration is momentous. However, although an agreement was made to realize the normalization of diplomatic relations between North Korea and Japan at an early stage, afterwards, progress was not smooth. There were difficulties with the kidnapping issue and most recently, the issue over DNA tests done on human remains has given rise to even more serious problems. The strained situation of not having established diplomatic relations must be settled. In order to create a firm peace and stability for the Northeast Asian region, sincere negotiations based on the Pyongyang declaration must be resumed so that the kidnapping issue can be addressed and historical issues can be cleared up in a comprehensive manner; diplomatic normalization must be realized.

North Korea's nuclear development is also influencing North Korea-Japan negotiations. This is still a grave problem that directly affects regional security and peace. Japan, as a victim of atomic bombings, cannot in any manner accept a new nuclear country emerging in the Northeast Asian region. We must realize the common goal of a

Northeast Asia as a denuclearized zone. North Korea's abandonment of its nuclear development plans and the promise of a security guarantee that is acceptable to the North lies at the center of the six-party talks. With North Korea's indication that it will indefinitely suspend its participation in the six-party talks, tensions have risen, but also, most recently, there has been some movement between North Korean and U.S. contacts, which is giving some hope. The six-party talks must be reconvened so that a compromise can be reached and so that this dangerous route will not be followed through any further.

If the six-party talks succeed, the six countries of Northeast Asia can reach an agreement on the North Korean nuclear problem and a regional security guarantee, and in this state, they can begin to set the foundations for regional cooperation in Northeast Asia. Just as President Roh Moo-hyun expressed when he assumed office, heading toward the goal of a "Northeast Asia community" is our fundamental direction. This year, with the "ASEAN+3" framework as a basis, there seems to be movement toward building an "East Asian community." In order to realize the plans for an "East Asia community" together with the countries of Southeast Asia, a "Northeast Asian community" will take on an important role. In this respect, we anticipate mature efforts on the part of the Republic of Korea.

Japan and South Korea mark the 40th year of ROK-Japan diplomatic relations by declaring 2005 as the "Korea-Japan Friendship Year." In Japan, there is much enthusiasm over the "Korean wave," and I firmly believe that with a curiosity about Korea, the Japanese will visit the country and through culture, they will move in the direction of understanding the history and spirit of the Korean people.

On the other hand, I am troubled by the rise of distrust originating from the problems over history, and the increasing numbers of people who are falling for a short-sighted nationalism. This is related to the interests of the entire Northeast Asian region. I view highly the efforts the concerned nations have made for a regional community up until now. In order to open up the grand future of the Northeast Asian region, it is up to the next generation to take the reins and I anticipate the path that the next generation will take. In this light, exchange among young people and students is especially important.

The countries of Europe, which saw repeated wars, learned a deep lesson from the miserable experiences of World War II and in order not to repeat the mistakes of the past, the countries began building a community; it has already been half-a-century since Europe took those first steps. At the outset, it seemed like unrealistic talk, but today, the EU has become a reality. In our own region, mutual dependence is without doubt increasing. The development of transportation and communications is rapidly bringing people closer together.

Regarding the creation of a "Northeast Asian community" together with an "East Asian community," don't you think it is time for Korea, China and Japan to go beyond the past and join hands and move forward. Respecting each other's individual traits and looking toward a community that is both materially and spiritually rich, let us move forward, step-by-step.

I end my remarks with my sincerest thanks to all of the organizers, who gave their mind-and-body efforts to prepare this forum.

Ushering in a New Era of Peace and Development in Northeast Asia

Qichen Qian

Ladies and Gentlemen, On the occasion of the fifth anniversary of the Korea summit, it is my great pleasure to join you on beautiful Jeju Island to commemorate that historic summit and discuss the road to peace and development for Northeast Asia.

The historic summit five years ago dealt a heavy blow to the half-century old Cold War on the Korean Peninsula, and opened a new chapter in the North-South reconciliation and cooperation process. It is of great importance to peace and stability on the Korean Peninsula and has far-reaching impact on the peace and development of Northeast Asia. I would like to take this opportunity to pay high tribute to former President Kim Dae-jung for his visionary and historic decision.

Ladies and Gentlemen,

Changes are taking place around the world, including Northeast Asia. Vast in land and abundant in natural and labor resources, this region of strategic importance is growing in economic aggregate, with its political and economic standing in the Asia-Pacific and the world constantly on the rise. Therefore, peace and development in Northeast Asia is of increasing importance to peace and prosperity of the

Asia-Pacific and the world at large.

It has become a shared aspiration of countries in Northeast Asia to seek peace, stability, development and cooperation. Most countries in this region have set up mature state-to-state relations accentuated by increasingly closer exchanges. Good neighborly friendship and mutual benefit have become the mainstream. Against the backdrop of accelerated economic globalization and regional integration, countries in this region are speeding up their own economic restructuring and industrial upgrading, leading to greater interdependence.

However, we should not lose sight of the fact that the remnants of the Cold War are still affecting politics and security in our region. Due to historical reasons and existing disputes, mutual trust has been missing to a certain extent among the countries in our regions. Constrained by various factors, the regional integration of Northeast Asia is not yet on the agenda. Great disparity still exists in the development level among the countries. It is therefore an arduous and uphill journey to achieve real peace and development in this part of the world.

Ladies and Gentlemen,

To safeguard peace and promote the development of Northeast Asia is in conformity with the trend of the times and serves the common interests of all the countries in this region. Given the new circumstances, countries should adapt to this trend, grasp opportunities, meet challenges and work in unity on the road of win-win cooperation to build a Northeast Asia that features peaceful political coexistence, economic equality and mutual benefit, cultural blending and emulation, and mutual trust in the security field.

In order to attain the above goals, it is necessary for all countries in this region to proceed from both the immediate and long-term interests and make efforts in the following aspects:

First, to enhance mutual understanding and trust, and properly settle sensitive issues. On the basis of such norms governing international relations as the UN Charter and the Five Principles of Peaceful Coexistence, all countries should cast away the Cold War mentality and create a regional political environment of mutual respect, equality and harmonious coexistence. Historical issues should be handled with sin-

cerity and present differences resolved with tolerance. We should seek cooperation rather than provoke confrontation, dispel misgivings rather than inflame tensions, advance win-win cooperation rather than profit at the expense of others.

Second, to deepen regional cooperation and promote common development. From the perspective of comprehensive development and common prosperity, countries in this region must strengthen economic and trade cooperation, expand two-way investment, increase technical exchanges and facilitate people-to-people contacts in a mutually-beneficial, diversified, gradual and pragmatic manner. Economic and trade cooperation may take the lead in comprehensive cooperation in all fields. Efforts should be made to gradually push forward regional free trade arrangements, further improve cooperation mechanisms and create a development environment characterized by mutual complementarity, diversification, openness and common prosperity.

Third, to establish a new security concept and safeguard regional peace and stability. Countries should stand by the common security of Northeast Asia and the entire Asia-Pacific, establish a security concept featuring mutual trust, mutual benefit, equality and cooperation, widely apply the security cooperation model of non-confrontation and non-targeting at any third party and enhance understanding and security through dialogue and cooperation. Regarding such hotspot issues affecting regional peace and the stability of Northeast Asia as the nuclear issue on the Korean Peninsula, we should stick to the principle of peaceful solution through dialogue, and should address each other's concerns, iron out differences and resolve disputes through mutual accommodation and understanding.

Fourth, to facilitate people-to-people exchanges and expand the foundation for friendly cooperation. Countries should take advantage of their geographical proximity and cultural links to promote friendly exchanges between peoples, especially youths, enhance mutual understanding and friendship through exchanges of various forms and channels, and promote common progress through learning from each other.

Ladies and Gentlemen,

Reconciliation and cooperation on the Korean Peninsula is the pre-

requisite for the achievement of the above-mentioned objectives. It was also the goal of the historic Korea summit five years ago. At the same time, Northeast Asian countries and countries closely linked to them should commit themselves to making due contributions to the attainment of these goals.

Peace and development in Northeast Asia cannot be achieved without stability and development in China and vice versa. China will stay on the road of peaceful development, a policy that will never change at any time or under any circumstances. China upholds the principle of "friendship and partnership with its neighbors" and the policy of "bringing about harmony, tranquility and prosperity to its neighbors." A stable, rising and cooperative China will always be a staunch force in safeguarding peace and promoting development in Northeast Asia.

Ladies and Gentlemen,

Pursuing the policy of peace and prosperity, the new ROK government under the leadership of President Roh Moo-hyun has been a strong advocate of cooperation in Northeast Asia and has made tremendous efforts in this regard. Let me express my appreciation for this.

The ROK is a major country in this region. China always attaches importance to the significant role of the ROK in promoting the peace and development of Northeast Asia and stands ready to maintain close coordination and cooperation with all relevant countries in the region, including the ROK.

Let us join hands in blazing new trails and ushering in a new era of peace and development in Northeast Asia.

Thank you!

Toward Peace and Prosperity in Northeast Asia

Seung-soo Han

Excellencies,
Distinguished Guests,
Ladies and Gentlemen,

I am honored to be invited to speak to you at this auspicious conference. At the time of the First Jeju Peace Forum four years ago, I was Korea's Foreign Minister and in that capacity I had the pleasure of sponsoring the forum. The Jeju Peace Forum has since then made great strides and has now become one of the most important global forums in the region.

I would like to express my sincere appreciation to the hosts of this conference, Governor Kim Tae-hwan of Jeju Provincial Government, President Jung Chang-young of Yonsei University, President Ko Chung-seok of Jeju National University and Chairman Chung Mong-koo of the East Asia Foundation, for their contributions in making the Jeju Peace Forum so famous within such a short span of time.

I am pleased to have this opportunity to share the platform with several distinguished world leaders and to have a forum in which to express my views and thoughts, as well as to benefit from the wisdom

and insights of other speakers, on how we might best continue to promote peace and prosperity in Northeast Asia.

As you are aware, the Northeast Asian region is endowed with a wealth of native cultures, moral values and religious diversity. These social phenomena have all been cultivated over the region's long history, which spans several millennia. They now serve as a foundation for the emergence of Northeast Asia as one of the most competitive and dynamic regions in the world. Indeed, in terms of population, trade volume, capital, technology and the exchange of people, the region has been rapidly catching up with the other two pillars of the world economy, Europe and North America, in recent years.

Without the peace that Northeast Asia has now long enjoyed, this unparalleled economic growth surely would not have been possible. Consequently, the establishment of a peace regime on a foundation of mutual trust and understanding is emerging as a crucial goal, if we are to succeed in sustaining the prosperity in the region.

The path to establishing and consolidating a sustainable peace regime in Northeast Asia, however, is strewn with a host of obstacles. North Korea's nuclear ambitions, disputes over territory, distortion of regional history, and the insensitivity of nationalistic political leaders to the sensibilities of neighbors who suffered at their hands are but a few of these obstacles.

The most serious challenge threatening to unsettle the balance and security of the region today is the North Korean nuclear program. An early and peaceful resolution of this issue, through dialogue and negotiations, is the most important task facing the region and the world beyond. Without resolution of this issue, other options will never bring about genuine peace and prosperity.

That is why it is vital that North Korea returns to the negotiation table, without preconditions and without further delay. I sincerely hope that all the parties concerned will work to pool their collective wisdom to persuade North Korea to return to the six-party talks and that North Korea will then make the strategic decision to abandon its nuclear ambitions once and for all.

If we succeed in peacefully resolving the North Korean nuclear issue through the six-party talks, we will be able to build on that success and

the venue, developing a multilateral vehicle to address future security issues in the region. Unfortunately, historically, our region has failed to develop a tradition of cooperation for meaningful mutual security.

The six-party talks are illustrative in that they have laid the foundation for continued contacts and consultations among all the major countries in Northeast Asia. In this regard, the experience of cooperation in the six-party talks could provide a valuable experience and become an asset in creating and institutionalizing a security mechanism in the region.

Another serious obstacle to the establishment of a peace regime in Northeast Asia has been an unwillingness of the parties to come to terms with the past. The legacy of history still weighs heavily on the minds of the people in the region, who for generations lived through the suffering of aggression and occupation by neighbors.

Healing the wounds of history and in so doing, achieving a genuine reconciliation through it, is a challenge Northeast Asian countries have yet to overcome, if they are to move forward to build a common future of peace and prosperity in the region. Europe provides a shining example of this reconciliation and confidence building.

Other potential sources of instability, such as territorial disputes, still hang over the region, representing potential sources of regional conflict. Military build-up and what appears to be a growing rivalry between regional powers also overshadows the region.

Ladies and Gentlemen,

Fortunately, there are some positive signs for institutionalizing security cooperation in Northeast Asia. With the growing economic interdependence among countries in the region due to a steady rise in intra-trade and investment, and a rapid development in communications and transport technology, the prospects for regional cooperation are steadily improving. Cooperation in the economic sector will generate a spill-over effect, enabling a corresponding cooperation in "high politics."

Another catalyst for closer cooperation in the area of security is the rapid rise in cultural exchanges and people-to-people contacts. Last year, the total number of mutual visitors to Korea, China and Japan reached over 10 million. This number will continue to increase. The

popularity and the broad reach of "hallyu" (Korea's cultural wave) in Japan, China and Hong Kong, for example, is a cogent example of the rapid cultural homogenization and synchronization of populations in the region, particularly of the younger generation. These trends will help to promote mutual trust and understanding, thus creating a "sense of community" that could serve as a psychological basis in building a Northeast Asian community.

Furthermore, new forms of international and human security threats coming to the fore as pressing global issues today might also facilitate the process of institutionalizing a security mechanism. Such threats as international terrorism, the proliferation of weapons of mass destruction (WMD), transnational organized crime, environmental issues, the spread of absolute poverty, maritime security and the spread of new diseases such as HIV/AIDS and SARS make multilateral and regional cooperation not only desirable but inevitable.

Ladies and Gentlemen,

Against this backdrop, the task before us is clear, although I dare say we may have waited too long. We must start thinking seriously about how to forge a Northeast Asian security community. To address imminent as well as future challenges, we have to come up with a new multilateral security paradigm in Northeast Asia. Relations among the nations of the region are too important to be left to chance or only to the vagaries and interplays of great power politics.

Taking into account the situation in Northeast Asia, I would like to make a few suggestions on how to advance multilateral cooperation in the region.

First, nations of the region should take concrete steps to strengthen cooperation to address universally recognized security threats. For example, the threat of international terrorism, the proliferation of weapons of mass destruction, transnational crime cartels, energy and environmental issues, poverty and epidemic diseases such as HIV/AIDS distract and destabilize the social and economic well-being of populations in the region. We would encourage regional cooperation to expand to ultimately evolve into a framework for regional security.

Second, open regionalism has to be the guiding principle in the pur-

suit of a regional architecture in Northeast Asia. It should not discriminate against extra-regional players. It should be open and transparent, giving equal opportunity for access to other countries beyond the Northeast Asian region. With the scope of cooperation gradually being extended, the dynamism of Northeast Asia can be expected to naturally spill over into other regions.

Third, I wish to stress the value of strengthening institutional links among major regional governmental organizations. Cooperation among the activities of the ARF (ASEAN Regional Forum), APEC (Asia-Pacific Economic Cooperation), ASEM (Asia-Europe Meeting) and ASEAN+3 and the emerging EAS (East Asian Summit) will have a valuable synergy effect for the promotion of durable peace and security in the region. I am sure that these multilateral approaches will contribute to increasing confidence-building measures (CBMs), which are needed as a preliminary step. In this sense, an Organization for Security and Cooperation in Europe (OSCE) type security regime formation provides a useful lesson for Northeast Asia. As you may know, the primitive Helsinki confidence building measures have now evolved into the more advanced OSCE process. Although there are differences between the situation in Europe and the conditions in Northeast Asia, we can learn from the collective wisdom of Europe and the European experience.

While emphasizing the importance of multilateral institutional links, I would also like to emphasize the importance of continuing bilateral alliances, which have underpinned the security structure of the region. There is no denying that the strong security alliance between Korea and the United States has been the cornerstone of peace on the Korean Peninsula. This regime must necessarily be maintained. As long as the residue of Cold War tension and traditional security threats linger in the region, traditional bilateral alliances will continue as an effective counterbalance. I firmly believe that bilateral alliances and a multilateral security regime are not mutually exclusive and that strong bilateral ties between Korea and the United States will help to foster conditions for a closer multilateral cooperation.

Finally, we need to consider expanding the scope of cooperation. The active participation of civil society, including specialists, scholars,

and NGOs is crucial to efforts to accelerate the process. In light of this, CSCAP (Council for Security Cooperation in the Asia Pacific) and NEACD (Northeast Asia Cooperation Dialogue) will continue to serve as exemplary models for non-governmental security dialogue in the region.

Ladies and Gentlemen,

We have a long way to go in building an effective institution for multilateral security cooperation in Northeast Asia. Nevertheless, I hope that all of the countries in the region share this vision and will muster their collective wisdom to that end. To realize this dream, we have to embrace the spirit of patience and mutual respect, as well as flexibility, in carrying out the process. From the long-term perspective, to do so will benefit us all.

I believe that somebody has to take the initiative to address this vital issue. It is my sincere hope that Korea, which strongly shares with its neighbors the wish to maintain strategic stability and sustainable peace in the region, may be able to play a kind of a coordinating role similar to that played by the Benelux countries in the process of European integration, harmonizing differences and facilitating cooperation. Korea indeed may be able to make full use of its geostrategic location to play a bridging role between land and sea powers for the benefit of all nations in the region.

I would like to conclude my remarks by emphasizing that Jeju Island, now given the name "Island of World Peace," should contribute to Korea's efforts. In this respect, I sincerely hope that the Third Jeju Peace Forum will lay solid groundwork as an epicenter for creative discussions on peace and prosperity in Northeast Asia.

Thank you for your kind attention.

Domestic Politics and Community-Building in Northeast Asia: A South Korean Perspective

Eui-yong Chung

I. Introduction

Achieving deeper cooperation with regional neighbors with the ultimate goal of building a “regional community” requires a lot of preparation. While some may quickly think of improving relations with neighboring countries as the obvious first step, the preparation actually begins at home, on the domestic political and economic front. To be ready and willing to accept another country as a full-fledged partner, a country needs to know its bearings, past, present and future. More importantly, perhaps the country also needs to command a high level of political and economic maturity that can help build confidence and consensus for taking the necessary steps toward a larger community while also protecting the interests of the minority and minimizing the side effects this effort might entail.

Coming to terms with one’s own past, present and future, and achieving a certain level of maturity in terms of upholding universal values like democracy and market economy, has a salient historical precedent in the regional cooperation as witnessed in post-World War II Europe. We all know that the partnership forged between France

and Germany, which served as the main engine for European integration, would not have been possible if it were not for both countries’ reconciliation with their recent past, their faith in their common future on the basis of shared values and also the resiliency of each of their political and economic institutions. While not the sufficient conditions, they were certainly necessary conditions, or even foundations, for the community building process that led to the emergence of the European Union we know today.

Now, I would like to share with you how I think Korea measures up to these standards. Since I joined politics a year ago as a freshman member of the National Assembly, I have come to realize that Korea has indeed come a long way and that the progress it has made is gaining more relevance in the kind of role Korea will play in the future regional and global scene. I will briefly touch upon a few areas relating to the prerequisites I have just mentioned.

II. Political Reform and Reconciliation

As many of you already know, there has been a sea change in Korea’s political landscape, a change that I believe is a testimony to the growing maturity of democracy in Korea. I believe that the general elections of April of last year opened a new chapter in Korean politics for many reasons.

First, for the first time in 43 years, there has been a transition in parliament. For almost half a century, Korea’s National Assembly had been dominated by conservative forces. As a divided nation with the traumatic Korean War still fresh in the Korean psyche, there had been little tolerance for ideological diversity. Progressive views were often equated to the “leftist” and hence “communist” movement. The monopoly of power by the conservatives was looked upon as natural, if not desired. In this context, the idea of coexistence between the political left and the right was considered new, exceptional and even unnatural.

The positive aspect of the last general elections was that for the first time, the progressive elements of our society emerged to take part in

government. For the first time, the conservatives had to face liberals or progressives as not people to arrest or fight against but someone with whom to engage in dialogue and coexist. For example, the progressive Democratic Labour Party has, for the first time, entered mainstream politics with 10 seats in the National Assembly. Voices that had previously been unheard of are now being taken seriously. The inclusion of a wide range of voices shows that participatory democracy, as espoused by the current government, has made real progress.

The general elections held in April 2004 were the cleanest in our history and brought about a complete break from past corruption. Strict election and campaign laws were introduced and strongly enforced. Six members of the National Assembly have already been convicted for election law violations and have lost their seats. And by-elections to replace them were held in early May this year. Anyone who is sentenced to a fine exceeding 1 million won, roughly \$1,000, automatically loses his or her seat. There still remains a possibility that additional members will lose their seats and a second round of by-elections will be held in October 2005. This strong enforcement of election and campaign laws freed both politicians and businessmen from corruption and completely broke the collusive link between business and politics that had been Korea's embarrassing tradition.

The transition in Korea's parliament has also breathed new life into efforts to reconcile with its own turbulent modern history. Koreans have begun to feel that they deserve to know and shed light on the dark years of the Japanese colonial rule and, more recently, the years under military dictatorship. Some historical figures and events had gone unrecognized, while some serious wrongdoings had been overlooked. But now, with the Cold War and the ideological competition over, people are beginning to yearn for truth and reconciliation, even if it proves painful in the short run. Under such a public sentiment, the Assembly recently passed a bill to establish a fact-finding commission, empowered to investigate collaborators during the Japanese colonial occupation and mysterious incidents during the military dictatorship. The overwhelming public support for the legislation is a clear signal to the growing maturity of the Korean people's wishes to come to terms with its turbulent past.

III. Market Economy and Free Trade

Recently, President Roh Moo-hyun of Korea outlined his vision to develop Korea into an "Advanced Trading Nation" that can fully cope with the rapidly globalizing environment. It envisions Korea actively taking advantage of globalization as a driving force of economic development rather than scrambling to minimize its short-term losses by protecting its market. The main ideas behind this vision involve raising Korea to global standards, participating in the global market, making effective use of global production resources, building world-class industries and constructing social infrastructure friendly to market opening.

One of the main tools to achieve this goal is actively engaging in FTAs, through which Korea can not only secure her commercial interests through the expansion of accessible foreign markets and the diversification of import sources but also stimulate domestic economic reforms and liberalization. Korea's pursuit of FTAs will take a multi-track approach rather than a one-by-one, step-by-step approach. It will help neutralize political opposition at home to market opening through FTAs, since different deals will help offset contentious points in each case and counteract criticism from interest groups.

In addition, Korea aims to conclude high-level and comprehensive FTAs that cover a wide range of areas, including services, investment, government procurement and intellectual property rights, so that it will encourage competition both at home and abroad, ultimately helping shape Korea into a stronger and more efficient economy. Pursuing multi-track, high-level and comprehensive FTAs will also enable Korea to make further contributions to global efforts to strengthen the multilateral trading system.

With the Korea-Chile FTA entering into force last year, Korea recently concluded FTA negotiations with Singapore. The government is now conducting negotiations with 16 countries, including Japan, ASEAN, EFTA members and Canada, with the aim of concluding FTAs within this year. Joint studies are in progress with India, Mexico, Russia and MERCOSUR countries, and we are exploring the feasibility of FTAs with the US, China, and a trilateral FTA among China, Japan

and Korea. It is the government's belief that pursuing FTAs with countries around the world does not undermine the global or region-specific trade efforts.

IV. Building a Community in Asia

It is evident that Korea meets many of the necessary conditions required to engage in community building. Korea has achieved an awesome political and economic development. It boasts the 12th-largest economy in the world and serves as an example of successful democratization.

Perhaps for the first time in its modern history, Koreans are truly coming to terms with their past, embracing a growing faith in their political and economic system based on the values of democracy and market economy and projecting a sense of confidence and optimism in the future course of their country. Many Koreans feel that the time has come for the people to actively and autonomously pursue their future, something their ancestors had neither the capability nor opportunity to do.

It is perhaps in this context that President Roh recently laid out Korea's possible role as a "balancer" in the region. While it reflects the sentiment that Korea should never again allow its neighbors to determine its destiny, the concept also underscores Korea's eagerness and indeed confidence in taking a leading role to form a true community in the region. North Korea's nuclear problem, which is one of the most visible evidences of the challenges that lie ahead in building a community in Northeast Asia, has ironically led to the formation of a multilateral mechanism that shows promise of community building - the six-party talks. While originally organized with the specific purpose of dealing with North Korea's nuclear program, the talks could very well survive the current nuclear crisis to develop into a multilateral framework, not unlike that of Europe's OSCE, through which the countries of Northeast Asia can resolve security matters.

With its ongoing development as a country deeply rooted in the values of democracy and market economy, Korea is growing more confi-

dent in its capabilities and more aware of its moral purpose to join hands with neighbors that espouse these values. That is why I think we can expect Korea to capitalize on its status as a democratic and market-oriented country to push for closer cooperation within the region with a firm basis on these values in the future.

A New Path toward a Northeast Asian Community

Hwa-Young Lee

I. Present Situation in Northeast Asia and Anticipations for the Future

Many people have long stated that the 21st century would become a Northeast Asian era. The Northeast Asian region in 2005 has already moved beyond becoming a global political and economic axis and is moving toward becoming a central part of the world. The rapid economic growth of countries in the Northeast Asian region, started by Japan in the 1960s to 70s, followed by South Korea in the 1970s and 80s, and then by China in the 1990s, is changing the economic map of the world.

First, South Korea, China and Japan have a total population of approximately 1.5 billion people compared to the 380 million people living in the European Union, and the 370 million living in the NAFTA region. This makes the three countries' combined population four times the size of other economic blocs. In addition, the Northeast Asian region, which broadly defined includes Taiwan and Hong Kong, occupies 20.1 percent of the world's GDP and 17.1 percent of all world trade. Moreover, the amount of intra-regional trade has recently

reached 37.6 percent of total trade and it is expected that the amount of intra-regional trade will continue to rapidly increase if an economic community is established in the region.¹

Recent efforts to establish a free trade agreement (FTA) among South Korea, China and Japan reflect the increased amount of economic cooperation within the region. Also, various projects have been proposed with regards to developing energy resources in the Russian Far East.

Countries in the region have also shown great interest in and a will for increased cooperation in the construction of a social infrastructure, in order to strengthen ongoing regional economic cooperation efforts. These include the construction of a Northeast Asian transportation network linking the trans-Korean, trans-Siberian, and trans-Chinese railroads.

However, not all prospects are as bright or promising in regards to the future of Northeast Asia. In fact, the possibility of whether countries in the Northeast Asian region can overcome past conflicts and move toward a Northeast Asian community still remains rather unclear, while international prospects on the future of the region are undecided.

II. Barriers to Cooperation in the Northeast Asian Region

The Northeast Asian region is still at a crossroads to peace. That is, while rapid economic growth and increasing interdependence serve as factors to increased cooperation within the region, possible factors of conflict like issues of history, the North Korean nuclear issue, the arms race, and the lack of mutual trust still exist within the region.

First, many issues regarding the shared histories of South Korea, China and Japan still remain unsolved as was recently demonstrated by the issue over Japanese history textbooks. Though South Korea and

¹ Institute of Foreign Affairs and National Security(IFANS), *Prospects in International Relations in 2005*, p. 30.

China are jointly working toward pressuring Japan on the history issue, the potential for conflict exists between South Korea and China, as seen in past Chinese attempts to claim the history of Goguryeo as part of Chinese history.

Second, the security issue still remains unsolved within the region. The inter-Korean conflict and the North Korean nuclear issue still remain unsolved, while the level of national arms build-ups in the region is the highest in the world. Also, besides the Cold War alliance structure represented by the ROK-US and US-Japan alliances, it is difficult to find a fundamental institutional mechanism for security consultation in the region, despite the fact that more than a decade has passed since the end of the Cold War.

Third, the Northeast Asian region lacks awareness on regionalism, as well as a sense of regional identity, despite its long history. There are also great political and economic institutional differences among countries in the region.

Recently, U.S. Secretary of State Condoleezza Rice even stated that Northeast Asia was the only region that had not witnessed the formation of a new order in the post-Cold War era. Thus, it seems that Northeast Asia is still in the process of a Cold War thaw.

III. A New Path toward a Northeast Asian Community: A South Korean Perspective

For South Korea, this vision of a Northeast Asian community has two aspects: national reunification and development; and the formation of an international cooperation structure. Accordingly, South Korea has shown the most active interest and will to realize this vision of building a Northeast Asian community. This is also because South Korea lacks the resources, compared to other countries in the region, for responding to regional insecurity, not to mention the fact that South Korea depends mostly on foreign resources for maintaining its security and promoting its economic development.

Therefore, the Policy for Peace and Prosperity pursued by the South Korean government and the recent emphasis on South Korea's balanc-

ing role as a bridge to maintaining regional peace aim to promote common interests and cooperation in the region.

I feel that the future of this new path in building a Northeast Asian community will become more evident for South Korea when the following three tasks are fulfilled.

The first task would be the peaceful resolution of the North Korean nuclear issue. That is, the North Korean nuclear development program would only lead to the complete isolation of North Korea and to an endless conflict with the United States and its neighbors. Accordingly, the process of thawing in the Northeast Asian region would be interrupted and the structure of conflict would firmly anchor itself in the region.

The early resumption of the six-way talks and agreement on a security guarantee from North Korea's neighbors would thus be the most important issue in maintaining peace and stability on the Korean Peninsula and in the region.

The second task would be the formation of a regional consensus on cooperation in the Northeast Asian region, which would be based on the above-mentioned order on the Korean Peninsula. The core of this consensus would mean increased mutual trust between the United States and China. In fact, efforts to construct a Northeast Asian community have been more or less unsuccessful due to the presence of strong military forces in the region, while the United States, which has maintained its status of being the largest exporter in the region, has failed to play an active role in constructing a regional community.

Accordingly, South Korea should play an active role in promoting future U.S. strategies on Northeast Asian cooperation and in bringing about China's acceptance of this U.S. role. A free trade agreement (FTA) among South Korea, China and Japan is not only important in promoting economic development in the region, but could also serve as an important safety valve in preventing the escalation of conflict between the United States and China through institutionalized cooperation with America's main allies in the region. This would in turn help China, which has shown rapid economic growth in the past decade, to adjust itself to the security order in the Northeast Asian region.

The third task would be the formation of solidarity for peace among civil societies in the Northeast Asian region, which would be able to

spread new policies on constructing such a community and thus promote cooperation within the region. Though we are aware of an international reality that is based on national interests, we cannot underestimate the importance of civil society, which has provided the foundation for legitimacy in establishing national goals.

Therefore, the most important task in constructing a Northeast Asian community would be the promotion of cooperation projects that would help the civil societies of the two Koreas, China, Japan, Russia and Mongolia develop a common agenda for cooperation and consolidate solidarity for peace in the region.

Future prospects for peace and prosperity in the Northeast Asian region, as well as on the Korean Peninsula, will thus remain unclear until there is sufficient preparation on the above-mentioned policy considerations.

I would like to state that concern and support from the international community, as well as the efforts of South Korea, would be very essential in solving these tasks. We should focus our attention on how we will construct a stable framework for cooperation in order to promote peace and prosperity on the Korean Peninsula and the Northeast Asian region after the North Korean nuclear issue is finally resolved.

On June 4, the World Food Program (WFP) expressed its concern over the possibility that North Korea will face the worst famine in 10 years as North Korea is 2 million tons short of a total of 5.5 million tons of food. In the recently published "North Korea Paradoxes: Circumstances, Costs, and Consequences of Korean Unification," the RAND Corporation estimates that the costs of Korean reunification would amount to a maximum of \$670 billion (670 trillion won).

It would be very difficult for South Korea to cope with this reality alone. Though improved inter-Korean relations and the resolution of the North Korean issue will remain one of our most important priorities, we will need more concern and support from the international community in order to realize this vision of a long-term cooperation project that would include a Northeast Asian-style Marshall Plan, which would look beyond the resolution of the North Korean nuclear issue.

Thank you.

Taking the Lead toward an Asian Community

Hee-ryong Won

Currently, we witness a heated debate concerning the realization of the Northeast Asian community. It will take some time and will also require dedicated commitment. Fierce debate and confrontations are inevitable. But certainly no one can deny the fact that we have to overcome such hardships and attain a certain goal.

I. The Northeast Asian Community as a Place of New Imagination and Its Role in East Asia

The Northeast Asian community or its embodiment should not be limited to a mere coordination of member states' interests. The Northeast Asian community is not a place to extend member states' interests, but rather it signifies a place to create a whole new community. This place necessitates new values, new mutual understanding, new mutual experience and a new historical background. By transcending the limits of government, the private sector and generations, this new place can be attained through solid and comprehensive exchange and

cooperation. For that reason, the foundation of the Northeast Asian community should be built upon an audacious imagination and continuous endeavors.

However in Northeast Asian countries, especially China, Japan and South Korea, a complex geopolitical atmosphere and the absence of consensus or agreed objectives has hindered any concrete embodiment of an East Asian community.

Unified international institutions and international charters are common on other continents except Asia, and this indicates that Asia should make a strenuous effort in planning a more concrete regional integration agreement.

Instead of separately joining or passively participating in these contemporary political and economic blocs, Northeast Asian countries should not hesitate to lead the way in fostering an Asian community. Among East Asian nations, the scope of regional integration itself has been a controversial issue. ASEAN +3, Asia-Pacific countries, India and Australia should come together. There should not be an unnecessary confrontation regarding the leadership position, but Northeast Asia should take initiatives in establishing distinctive visions for implementing an Asian community. By placing priority on making concrete efforts in the formation of a Northeast Asian community, these countries should attain successful integration through regional cooperation.

A summit should be held among the three Northeast Asian countries. Past summits have been held together with ASEAN and APEC members. But now the three countries should hold a summit among themselves. When the leaders of these three countries meet, the Northeast Asian community will encounter another new step.

II. Actualization of Coexistence and Co-prosperity in the Northeast Asian Community through Cooperation

Northeast Asian countries have a complicated political environment in which to form an agreed-upon model of the East Asian community.

They do not have the experience of inter-state relationships through a regional framework. Because the countries in Northeast Asia have ruled over or been colonized by other countries in the region in the past, these historical issues and their residue prevent Northeast Asian countries from being involved in further regional integration, despite active exchange and interdependence these days. More realistically, these hindrances are further complicated by the four major powers of the United States, China, Japan and Russia. Distrust among related countries and conflicts involving regional hegemonic powers pose another big threat to regional integration.

South Korea opposes any hegemonic power in the region. This Northeast Asian community should be based on mutual prosperity and coexistence. The competition and the question, “Who will lead this integration and gain hegemonic power in the Northeast Asian region—Japan or China?” is obsolete. This community should prod the United States to actively participate in order to maintain an openhearted cooperation and relationship with the related countries.

Securing a common perception of Northeast Asia’s regional issues is imperative. The North Korean nuclear issue should be resolved peacefully within the framework of the six-party talks. A new regional security system reflecting post-Cold War international politics should be implemented. Expansion of economic cooperation, such as free trade agreements, should be continued. Peace should be co-managed and a foundation for prosperity should be contemplated.

An effort should be made by politicians to draw out people’s interest concerning regional integration and interregional issues in Northeast Asia. I propose the creation of a television and Internet program where young politicians can talk freely about history, peace and Northeast Asia issues. The chance for Northeast Asian countries to communicate about common issues through the Internet and television will serve as a valuable opportunity to experience “ASIA BECOMING ONE.”

III. Activating Exchange and Strengthening Cooperation

The importance of cooperation and exchange among generations, fields of study and private sectors should be emphasized more than anything when it comes to regional integration.

South Korea, China and Japan should not hesitate to strengthen cooperative programs such as student exchange programs. Furthermore, we can consider establishing an institution officially approved by all three nations.

We can also conduct a debate competition, essay writing contest and a forum to create an environment where college students from each of the three nations can compete with healthy intentions. To give you a more concrete example, we can hold a business model competition to select qualified students. All three countries could invest in the selected winning model and this could become a successful case of collaboration among the three countries.

To enhance common cultural experiences, joint tour packages by the three countries should be developed. School trip exchange programs or inter-government tour programs at the local level are other good examples.

There should be a variety of attempts to expand the exchange of human resources in the public sector. We should also strengthen exchange programs among government officials in Northeast Asian countries. We should also create an exchange program for National Assembly interns.

Constructing a cooperative system within the Asian region is necessary in order to deal with global issues such as energy, environment, global warming and natural disasters. In order to substantially help less-developed countries in Asia, I propose that under the leadership of Northeast Asian countries, there should be a development fund to support these less-developed countries.

On Dec. 26, 2003, 27,000 people died after a late night earthquake hit Iran. On Dec. 26, 2004, South Asia suffered from the catastrophic tsunami. I propose to designate Dec. 26th of each year as an "Asia Remembrance Day" to commemorate those who suffered from calami-

ties and to assure that Asians will become one in order to prevent unexpected future disasters.

We have to take an active part in resolving the contentious history issue. In order to secure a common historical background, an agreement by the three countries to co-investigate this controversial issue must be endorsed. Furthermore, to share common historical analyses, the results of this investigation should be reflected in the approval of textbooks.

South Korea has been actively involved in creating an East Asian community. But South Korea needs to reflect on its diplomatic capabilities, considering its lack of tangible results. In spite of the emphasis on cooperation with ASEAN, the fact that the South Korean vice minister was too busy dealing with the North Korea nuclear issue and was even unable to attend a meeting with the ASEAN representative is one of the many reasons why our efforts lag behind our intentions. This shows an inadequate preparation of foreign relations for creating an East Asian community.

Security Cooperation in Northeast Asia

Gen Nakatani

This is my first time participating in the Jeju Peace Forum. I once led the Japan Defense Agency, and establishing a security framework in Northeast Asia has been my life's work. We deployed peacekeeping troops to East Timor and worked alongside Koreans in a place called Oecussi. I also heard that our peacekeeping troops were working alongside Chinese in Cambodia.

At the defense ministers' meeting in Singapore, I argued for establishing a security framework in Northeast Asia, a PMO center for peacekeeping operations and a cooperative agency for patrolling the seas. I long to see the day when Jeju Island will become a center of cooperation for peacekeeping operations among Japan, China and South Korea, as they actively participate to secure peace.

Previously, there were some arguments about Japan's war responsibility and repentance. I was born in 1957 and belong to the post-war generation. I have never thought of the possibility of Japan starting another war or becoming a military power. I am currently engaging in politics with the attitude that we inflicted serious damage on many Asian countries through a terrible war and that we must never fall into a similar catastrophe again.

In realizing the goal of a security framework in East Asia, I believe that the crucial point is South Korea. Its economic development in the 1970s, democratization in the 1980s through the Roh Tae-woo administration, the Sunshine Policy of the Kim Dae-jung administration, the inter-Korean summit of 2000 and the Japan-North Korea summit of 2002 known as the Pyongyang Declaration have now led to the six-party talks that began in 2002.

I think that the current Roh Moo-hyun administration's attitude of looking at North Korea not as an enemy but as an object of reconciliation and cooperation as an extension of independence and democracy is noble. It has resulted in expanded trade with China, co-hosting of the World Cup by Japan and South Korea, and a wave of Korean culture in Japan. The South is continuing to engage the North in dialogue.

One concern in all this though is South Korea's defense policy. A transformation of its alliance with the United States is being discussed, but I do not believe that there are structural tensions between South Korea and the United States. South Korea's defense is a defense of itself and results from having the pride to be in charge of defending itself. Japan is the same.

However, I get the sense that the Korean people are currently troubled about this issue, which has come up for the first time since the establishment of the republic. What is the concept of South Korea's security policy? The Korean leaders will one day make it clear to the world, I suppose.

Right now, the main issue is the problem of North Korea. The source of danger in the new world is its nuclear program and its missile production and sales. If nuclear materials are sold to terror or guerrilla organizations, we could have a situation where we would have no idea when or where catastrophe would strike. We have to stop North Korea from behaving this way. Our biggest task is getting North Korea to give up its nuclear program. South Korea is currently talking with and pressuring North Korea, but there are six possible scenarios.

The best way that avoids conflict is for North Korea to accept the U.S. proposal or for the U.S. side to accept North Korea. I perceive this as having a low chance of being realized. Another way that avoids conflict is to simply maintain the current situation - the United States

continues its anti-proliferation efforts without the six-party talks ever coming to fruition; the issue is referred to the UN, but China shows an ambiguous attitude leading to no resolution; South Korea lets the current situation drag on while building industrial complexes in North Korea or connecting railways between the two countries; and China continues to aid North Korea.

Then the current situation will be maintained in this ambiguous environment. In this case, North Korea has nothing to lose. Nevertheless, maintaining the current situation is another policy that can be considered, although to resolve the issue would, of course, be preferable.

The worst-case scenario is a breakout of military conflict. There can be several possibilities, whether the United States goes it alone, whether the United States, Japan and South Korea go it together, or whether North Korea lashes out first. To prevent this worst-case scenario, the United States, China, South Korea and Japan must be allied.

I hope that even as the four countries support South Korea's efforts to engage North Korea in dialogue, they put forth at the same time more active efforts to persuade the North to give up its nuclear and missile programs. South Korea is a nation where the notion of "give and take" is valid, so I would like to strongly request this of South Korea.

Finally, a keyword for security is the availability of information. At the Singapore meeting, the United States asked exactly what threats China faces. As China expands its military, it must reveal where and how it is expanding to deal with what threats, so that we can share its view of threats, allowing cooperation where possible. For this, dialogue between nations is important. By building this cooperation between China, Japan, the United States and South Korea, I hope that security can be realized in East Asia.

China's Peaceful Rise and Peace and Security of Northeast Asia

Bijian Zheng

Ladies and Gentlemen, Friends: I am very pleased to come to beautiful Jeju Island in Korea to attend the international seminar of the peace forum. As you may know, one of the hot topics of international attention is whether China's peaceful rise is a blessing or a peril to the rest of Asia and the world. In this regard, I would like to share with you four points of observation under the title, China's Peaceful Rise and Peace and Security of Northeast Asia.

I. Serious Challenges and Strategic Options

Since the adoption of reform and opening-up policy in the late 1970s, China has been exploring a path to development and has chosen the road of a peaceful rise. That is to say, China will seek a peaceful international environment for development and by its own development, contribute to the maintenance of world peace. In essence, it is a development path of taking part in, instead of divorcing itself from economic globalization and independently building socialism with

Chinese characteristics. China has stayed on this road for 25 years, and in another 45 years, by the middle of this century, my country will achieve basic modernization and reach the level of a moderately developed country. This is our goal of a peaceful rise.

We are keenly aware that the rise of a country with a population of 1.3-1.5 billion is by no means an easy task. This is especially true in the first half of the 21st century when we are faced with both a “golden period of development” and an “intense period of paradoxes.” Speaking of paradoxes, there are three fundamental challenges in the areas of economic and social growth:

The first is the challenge in resources, especially energy. China lags behind in terms of per-capita possession of resources. At the same time, its fast economic growth, low level of technology and know-how have contributed to the high rate of resource consumption, particularly energy consumption in manufacturing in terms of both aggregate and unit consumption. The massive shift of international manufacturing to China has also brought about a certain degree of “shift of energy consumption.” This has made the shortage of resources, especially energy, a big hindrance to China’s peaceful rise.

The second is the challenge of the eco-system. Grave environmental pollution, deterioration of the eco-system, low efficiency of resource consumption and a low recycling rate as a result of fast industrialization and modernization have all contributed to a bottleneck in sustainable growth. This is the backdrop against which China’s leadership is advocating a scientific concept of development.

The third challenge is a series of paradoxes in coordinated economic and social development. For example, our GDP has to maintain its fast growth, and social undertakings also need to keep booming; technological advances and industry upgrading should be promoted, but employment should also be augmented; the strong economic momentum in the eastern part must be maintained but development in the central and western parts should also be promoted; urbanization should be bolstered but rural areas should be nourished by the process; there should be fairness in redistribution to narrow the urban-rural gap, but it should not affect vitality and efficiency in the economy; more foreign investment should be sought, but the invest-

ment structure should be optimized; exchange of market for technology should continue, but our own innovation is equally important; reform should be deepened in all fields, but social stability must be maintained; market competition should be espoused, but the livelihood of those in economic difficulties should also receive attention; and so on and so forth. The solution to these paradoxes does not lie in a lopsided approach. Instead, a series of coordinated measures are called for in order to achieve fast and healthy growth.

These three big challenges in the first half of the 21st century can, in my opinion, turn into three ways of transcendence, or three strategies, when the Chinese government formulates solutions:

The first big strategy is to transcend the old-style road of industrialization and continue on the road of new-style industrialization. Since the Industrial Revolution, the world has taken 250 years to lead 1.5 billion people into the industrialized society, but we have only 100 years, from the founding of New China in 1949 up to 2050, to achieve the goal for the same number of people. China, a populous country, is marching in step with the advance of world civilization. It is impossible to stop it. But equally impossible is the old-style road of industrialization of high input, high consumption and high pollution. Therefore, China is determined to blaze a new road of industrialization characterized by high technology input, high economic efficiency, low consumption of resources, low pollution and full play of human resources advantage.

The second big strategy is to transcend the traditional development approach that big powers took in modern history and the Cold War mentality marked by ideology, and to continue participating in economic globalization. China will not take the road of the Germany of World War I or the Germany and Japan of World War II, i.e. using force to plunder resources and seek world hegemony. Neither will China embark on the beaten track of Cold War confrontation and rivalry for domination, which was a feature of the post-war period. We are able to transcend both the old road of fighting for resources, an inevitable consequence of old-style industrialization and the Cold War mentality of rejecting peace, development and cooperation on account of ideological differences. We have bravely adopted the reform and

open-door policy, and that means we will, in the process of participating in, rather than divorcing ourselves from economic globalization, learn and benefit from the fruits of human civilization and independently build Chinese-style socialism and gradually realize our goal of a peaceful rise.

The third big strategy is to transcend outdated social management modes and continue to build a harmonious socialist society. New problems that China is encountering include simultaneous appearance of economic vitality and disorders, efficiency and lack of balance. Facing these paradoxes, China's leadership is focused on building a social network that links government control mechanisms with social coordination mechanisms, complementing government administrative functions with social self-regulating functions and fusing government management forces with social adjustment forces. This is aimed at improving governance and social management. Currently, government functions in China are gradually being transformed and mechanisms are being built to facilitate the movement of people, rationally regulate interests, provide stable social security and defuse crises with efficiency. Moreover, the level of scientific governance, democratic governance and rule of law is being enhanced and a harmonious society is taking shape.

The three strategies for China during the first half of the 21st century can be summed up as maintaining peace and harmony - external peace and internal harmony. The goal is to lead the 1.3-1.5 billion Chinese people in their arduous endeavour to build a better life and make more contributions to humanity in response to risks and challenges and through win-win cooperation with other countries. This is the road to China's peaceful rise as we understand it, and this is also what we mean by the great rejuvenation of the Chinese nation.

II. Reality and Future

For China, to successfully address the "three challenges" and effectively implement the "three strategies" for the realization of a peaceful rise, it will take more than five, ten or even 20 years. In other words, it

will not be until the mid-century that noticeable results will be achieved. The Chinese government has mapped out three stages of development for the first half of the 21st century, i.e. doubling the GDP of 2000 by the year 2010; quadrupling it by 2020 and achieving a per-capita GDP of \$3,000; building a moderately prosperous society of a higher level that will benefit a billion-plus population. On that foundation, a few more decades of hard work until the mid-century will lead us to the realization of basic modernization and turn China into a prosperous, democratic and culturally advanced socialist country.

With a view to implementing these strategies, various Chinese government agencies and research departments are focused on how to meet the challenges through self-reliance and saving resources and how to promote the building of a harmonious society. Their studies include short-term, medium-term and long-term development strategies for different fields, particularly energy, environment, population and the ageing of population. Take energy for instance. The past 20 years saw China quadrupling its GDP at the cost of doubling its energy consumption and the balance of energy supply and demand was basically achieved domestically. In the next 20 years, China is set to quadruple its GDP. How to balance development with energy conservation, how to find a way of saving resources and what is the road of resource-efficient development—these are questions that cry for a solution.

The formulation of this goal and studies of long-term planning are based on the country's present advantages and economic foundation. Speaking of advantages and foundations, I would like to bring your attention to some of the economic and social growth areas in the first half of the 21st century:

First, along China's east coast there are clusters of cities vibrant with economic activities, but in central and western areas are also emerging central cities. They will be the driving forces behind the nation's fast economic growth, centers of manufacturing and logistics services that enable the country to participate in a global division of labor and competition, places that absorb abundant labor from the vast rural area, and the hubs that attract advanced productive forces, advanced culture and international experience. The enlarging middle income

group, as well as ever increasing demand, both domestic and international, will come from these places.

Second, the vast rural labor force is intent on shaking off poverty. They are not only the reserve force for the country's manufacturing industry, but also a vital new force to replace rural deprivation with industrial civilization. In the future, with training, they will enter urban areas in an orderly manner, in the quantity of 10 million each year, thus providing an ever-renewing labor force for urban growth and creating new market demand, and at the same time dramatically changing the backward landscape of the nation's countryside.

Third, the immense vitality of labor, knowledge, technology, management, capital and other elements has been discharged by the reform and open policy. China adopts a basic socialist economic system that depends on state ownership as the backbone and multiple forms of ownership in common development. This has not only ignited the vitality of state capital and continuously advanced a new-style collective and cooperative economy, but also keeps attracting investors from home and abroad including private capital from the mainland, from Hong Kong, Macao and Taiwan, thus spurring entrepreneurial activities in China and helping form a business-creating mechanism that promotes productivity and increases employment. Another benefit will be the growing army of high-quality entrepreneurs, and high-tech, high-skill talents of every stripe.

Last but not the least, it should be noted that practice has proved that innovation is the unceasing driving engine that propels China's prosperity and peaceful rise in the 21st century. This includes innovation in theory, technology, institutions, culture and other areas.

III. International Experience and Chinese Characteristics

China, as a country that has been late in modernization, needs most to study and benefit from international experience, which is the internal, long-term and objective need for China in its endeavor for a peaceful rise. At the same time, China, in its process of rising peacefully and

creating modernized life for its 1.3 to 1.5 billion population, should rely mainly on itself, solve its own problems and difficulties, including solving all the difficulties such as the exodus of labor force from rural areas, as well as resources and environment etc. That is to say, China's modernization drive should have its own characteristics.

First, the energy question. The Chinese people will try to find a way to achieve energy efficiency with Chinese characteristics. Now the American average annual per capita consumption of oil stands at 25 barrels, while the figure in China is just 1.5. If we do not consider our own conditions and naively pursue the "American Dream," our energy demand would be unthinkable large and would bring a heavy burden and troubles that weigh down ourselves and the whole mankind.

Second, the flow of redundant rural labor force. We will gradually embark on urbanization with Chinese characteristics. In the next 20 years among China's 500 million-odd rural labor force, a redundant labor force of more than 200 million will join those who have already come to work in the city. We Chinese should not pursue the "European Dream." In modern history, more than 60 million Europeans travelled far and wide to different parts of the world, setting up colonies and changing the world map. If Chinese were to follow in their footsteps, we would become a real "Yellow Peril." We Chinese living in the first half of the 21st century can only solve this world-class problem within our territory by coordinating urban and rural development, and guiding an enormous redundant rural labor force to move between the rural and urban areas in an orderly manner without losing their land.

Third, training of the labor force. We will gradually establish a live-and-learn society with Chinese characteristics that is best defined by providing employment training to the vast number of rural populations. We will provide constantly improving vocational training to hundreds of millions of the rural population, particularly the young, to help them find jobs in the city or set up their own businesses. As regards coordinated economic development among different regions, we will try to establish a development-oriented society with Chinese characteristics that coordinates development in different regions. That is to say, while continuing to unleash the economic vitality of the three

major clusters of cities on the east coast, we will work to rejuvenate the northeast, and develop the central and western parts.

To sum it up, China, as a country that has been late in modernization, needs to study international experience while keeping in mind our own conditions. We must proceed from the environment of our times to define the Chinese characteristics. While sticking to our own road, we should reject the following four conducts: First, we should not emulate the barbaric acts of launching wars to plunder other countries' resources; second, we should not emulate the Cold War mentality of exporting ideologies and values; third, we should not emulate predatory acts in the process of industrialization such as excessive consumption of non-renewable resources; and fourth, we should not emulate the expansionist acts of massive exporting of emigrants and setting up overseas colonies. Our nation suffered bitterly in the past 100 years, and our understanding is: we should not do anything harmful to others, whether or not it is in our own interest, as the Chinese saying goes: "Don't do to others what you would not have them do to you."

You may see from my speech that China's development road to a peaceful rise is not merely a foreign policy, but an integration of both domestic and foreign policies; it does not only concern economic growth, but also parallel economic and social development; it is not only about innovation of science and technology and economic restructuring, but also the integration of market economy, democratic politics, science and culture as well as good citizenship. To be more specific, the road will lead to another great reform and change of Chinese society in the first half of the 21st century. Such a gigantic historic task will keep our leadership and the Chinese people very busy in the coming decades. We can only concentrate our energy on fulfilling this task. We have neither the strength nor intention to threaten others.

IV. China's Rise and Asia's Opportunities

An important result of China's peaceful rise is the emerging of a huge market with a population of 1.3-1.5 billion. It is linked with the

peaceful rise of Asia as a whole. It means that, as an Asian country, China will play an increasingly positive role in the prosperity and stability of other Asian countries, particularly its neighbors. China's rise will present major historical opportunities to Northeast Asia and the rest of the region.

First, regional development and prosperity. China on a peaceful rise helps shape a new type of cooperation in East and Northeast Asia featuring mutual benefits, mutual assistance and mutual complementarity. Between 2001 and 2003, China's imports grew by 33.1 percent from ASEAN countries, and 27.3 percent from Japan. China-ROK two way trade grew at an annual rate of 40-50 percent. ROK's investment in China has grown from \$120 million in 1992 to the present \$6.2 billion. China has become the most important trading partner and investment market. Today, internal trade in the East Asian economic region with "10+3" at its core accounts for 54 percent of total trade of all East Asian countries, 20 percent higher than in 1980. The figure exceeds the internal trade of NAFTA, which is 46 percent, and is close to that of the euro zone, which is 64 percent.

Second, regional stability and security. A series of non-conventional security crises since 1997 have shown that the multiple forms of cooperation existing among East Asian countries have already surmounted, are surmounting and will surmount differences in social systems and culture. China's peaceful rise is conducive to a more balanced configuration in East Asia and Northeast Asia. We may say that this configuration also contributed to the establishment of the six-party talks mechanism aimed at addressing the Korean Peninsula nuclear issue. Although hot spots and historical conflicts remain in this region, I believe that statesmen and peoples in East Asia have the wisdom to solve them.

In addition, China's peaceful rise creates conditions for China, the Republic of Korea, Japan and the United States to communicate with and understand each other, as well as foster common interest. Just about a decade ago, the ROK was perceived as a mysterious country in the eyes of the ordinary Chinese. But now, this perception has been replaced by an ever increasing affinity between the Chinese and ROK people. Many Koreans find a home in Beijing's Wangjing residential

area and created a “Korean Town” there, so to speak. Korean movies and TV series have brought about “Korean vogues” in China. I believe that a similar friendship between Chinese and American people, and between Chinese and Japanese people will gradually emerge. This shared emotional tie is the most potent guarantee for maintaining peace and security in Northeast Asia.

It is not to be denied that China’s peaceful rise will lead to some competition in this region. But this is friendly, cooperative, mutually beneficial competition that will result in a win-win scenario. It is by no means an arms race, or rivalry for spheres of influence, or for hegemony. No one should have strategic misjudgement on this issue.

Thank you all!

China and Northeast Asian Cooperation

Zhaorong Mei

Mr. Chairman,
Ladies and gentlemen,
It’s a great pleasure for me to attend the Third Jeju Peace Forum and exchange views with friends from various countries on the topic of *Domestic Politics and Community Building in Northeast Asia: Opportunities and Constraints*. I would like to take this opportunity to express heartfelt thanks to the kind invitation and gracious hospitality of our host.

In today’s world, people are talking a lot about China’s “rise” and its implications. However, the benevolent see benevolence while the wise see wisdom. Some fabricate the so-called China threat, taking China’s rapid economic growth as a pretext, while others describe the various challenges and problems faced by China as signs of being on the verge of collapse. Neither is correct. One must proceed from facts in judging whether China’s development is a “blessing” or a “curse” to the world. China’s development not only brings about practical wellbeing to the Chinese people but also contributes positively to the world. China’s promotion of the world economy for years has generated rich profits for investors from various countries, offered commodities of

good quality at low prices for consumers of various countries and played a role in optimizing the world's economic pattern. Of course, China's economic development means more competition for some countries, which, of course, is in line with the rules of the market. Competition is good for progress. If China were in chronic poverty and decline, that would be a disaster for neighboring countries and the world at large.

There should be a practical and realistic evaluation of China's development level. Indeed, from its reform and opening in 1978, China has maintained an annual growth of over 9 percent on average for more than 20 years running. Today, China is ranked number six in the world in terms of the size of the economy and is number three in total imports and exports. It has taken in an accumulated \$560 billion in foreign investments. It has over \$600 billion in foreign exchange reserves. China has successfully resolved the problem of food and clothing for one-fifth of the world's population. 220 million people have been lifted out of poverty, accounting for 75 percent of the worldwide reduction in poverty. Achievements are no doubt great. However, as Premier Wen Jiabao said vividly: however much China accomplishes, the achievement is insignificant when divided by 1.3 billion; however small China's problems are, they loom much larger when multiplied by 1.3 billion. Globally, the size of China's economy is no more than one-tenth of the U.S. and the EU economy and one-fourth of Japan's economy. China's per capita GDP is just over \$1,200, far behind the \$13,000 of the Republic of Korea. There are more than 26 million people living in poverty in China's rural areas. Measured against the world standard for low-income people, the number will go up to 80 million. Adding the 20 million recipients of minimum life allowance in urban areas, there are nearly 100 million people living a difficult life in China. In a word, China is still faced with the arduous task of fighting poverty.

More than that, China is a big agricultural producer with a relatively weak foundation. It is urgent to maintain the growth of grain output and farmers' income. In the international division of labor, China is at the lower end of the added value chain of the manufacturing sector, with low technological contents in products and an overall disadvan-

tage in international competitiveness. Particularly with rapid social and economic developments, various new contradictions and problems keep cropping up. To sum up, there are three major challenges: first, unbalanced regional development, widening disparity and increasingly severe unemployment; second, a shortage of resources, water and cultivated land that falls short of the demands of fast economic development; third, industrialization and modernization also worsen environmental pollution and the biological environment, and call for urgent treatment and improvement. All these are urgent on China's domestic agenda.

In recent years, in order to address problems and contradictions in the course of development, China has stipulated and implemented a number of strategies and policy measures, the most important among which is to abandon the obsolete path of industrialization featuring high input, high consumption and high pollution, and switch to a new one with high technological contents, good economic returns, low resource consumption, less environmental pollution and full play of advantages in human resources. China resorts to government-led macro-control and social coordination mechanisms, including the implementation of the strategy of developing China's western regions and of reinvigorating old industrial bases in Northeast China. China also strives to constantly improve social insurance institutions and help the disadvantaged, take such measures as governance by scientific, democratic and legal means, build a harmonious society, break from the historical precedents of big countries doing harm to others in the course of a rise, take an active part in economic globalization, keep deepening reforms and opening wider to the outside, engage in cooperation with countries on an equal footing, and walk a path of peaceful development, mutual benefit and win-win. Our goal is to double our GDP to \$4 trillion by 2010 on the basis of 2000 and quadruple it by 2020 to reach a per capital amount of \$3,000 to build a well-to-do society in an all-around way that benefits 1.3 billion people. Building on that, our goal is to by and large accomplish modernization by the middle of this century and move into the ranks of medium-developed countries.

Domestic development objectives determine the fundamental tasks

of China's foreign policies, that is, to strive for a peaceful and stable international environment, a good neighborly and friendly surrounding environment, an equal and mutually beneficial cooperation environment, and an objective and well intentioned media environment to serve the building of a well-to-do society in an all-around way. In its diplomatic priorities, surrounding countries are given prominence. Among surrounding countries, Northeast Asia undoubtedly occupies an outstanding place.

From a security perspective, there are still legacies from the Cold War period in Northeast Asia. There are feuds and deep-seated distrust among some countries. Some have disputes over territories, maritime space and maritime rights and benefits. In particular, the Korean Peninsula has long been divided and plagued by military confrontation. The Korean nuclear issue has the potential of tension and conflicts. This is also where strategic interests of big powers overlap and clash.

From an economic perspective, Northeast Asia is an important pole of growth and a place of technological innovations for the world economy, and weighs heavily in the world economy. Japan and the Republic of Korea occupy a prominent place in China's foreign economic relations. Therefore, along the foreign policy line of "living in amity and partnership with neighboring countries" and the policy of "good, safe and rich neighbors," China tries its utmost to seek common development and security with countries in Northeast Asia, particularly the ROK and Japan.

As China sees it, there are enormous potential and broad prospects for economic cooperation in Northeast Asia. First, different countries have different stages of development. A strong complementary aspect exists in economic elements, such as capital, technology, resources, labor and market. There is enough room for expanding cooperation. Second, China, Japan and the ROK have a longstanding history of exchanges and a common cultural heritage, which provide favorable conditions for mutual understanding and exchanges that are richly endowed by nature. Third, as near neighbors, these countries are separated by a narrow strip of seawater. Favorable geographical locations, plus modern transportation conditions, have provided conveniences

for mutually beneficial cooperation. Fourth, China is implementing the strategy of reinvigorating old industrial bases in Northeast China, which will provide a new field for regional cooperation in Northeast Asia, with advantages in geographical location, industrial base, educational, scientific and technological levels, degree of urbanization, labor resources, as well as natural conditions for developing modern agriculture.

Given the aforesaid, China actively supports multi-level regional cooperation of mutual benefit and win-win, and would like to explore forms and mechanisms of cooperation adapting to characteristics of the region with countries in Northeast Asia, in line with the principle of mutual benefit and the principle of seeking common ground while setting aside differences, and to promote political and security cooperation with economic cooperation.

There is no denying that an important precondition for the promotion of cooperation in Northeast Asia is to ensure peace, stability and the mutual trust of countries in the region. The Korean nuclear issue, which attracts the world's attention, relates to peace and security of the peninsula and Northeast Asia. China's position on this issue has always been consistent: to safeguard peace and stability on the peninsula; stand for a nuclear-free peninsula; insist on peaceful settlement through dialogues; and the DPRK's reasonable concerns on security, etc. should be addressed. We hold that the six-party talks are an appropriate framework and correct way of addressing the Korean nuclear issue. With an objective and fair approach, China has unremittingly done the job of persuading relevant parties into peace and encouraging negotiations, and played a unique role for the promotion of six-party talks. However, given the complexity of the Korean nuclear issue, in particular, the lack of mutual trust among relevant parties and their severe differences, it is inevitable for the peaceful negotiation process to be plagued by difficulties and twists. However, peace is the greatest value. Peaceful settlement through dialogues is in the best interest of all parties and the only viable option. This calls for all parties, in particular the main parties, to demonstrate utmost patience, sincerity and flexibility. China does not agree to the practice of exerting pressures or threatening sanctions on a certain party, as

this is not helpful to the settlement and will only complicate the case.

Another issue affecting bilateral relations and regional cooperation in Northeast Asia is the rightist tendency in Japan's domestic politics and its reflection on foreign policy. As the second-largest economy in the world, Japan could have made important contributions to the peace, stability and regional cooperation in Northeast Asia and Asia at large. However, Japanese leaders did not adopt a repentant attitude toward the country's history of aggression, repeatedly paid respects to the tablets of Class A war criminals in Yasukuni Shrine, and distorted and beautified the war of aggression through revising its history textbooks, which gravely hurt the national feelings of people in countries that suffered dearly from Japan's aggression. Japan has also made territorial claims to its neighbors and even listed China's Taiwan into the common strategic objectives of the Japan-US military alliance. People cannot help asking: What on earth does Japan want? As president Roh Moo-hyun remarked not long ago, if Japan does not reflect on and apologize for its history of invading Asian countries, there could not be the kind of mutual trust and reconciliation between Germany and France between the ROK and Japan. President Hu Jintao also pointed out to the Japanese prime minister not long ago: "A correct understanding of and approach toward history means that Japan must translate the repentant attitude expressed on that war of aggression into action and refrain from anything that hurts the feelings of the Chinese people and the peoples of other Asian countries.

The question of Taiwan is the core interest of China, relating to the national feelings of 1.3 billion Chinese. The Japanese government has reiterated its insistence on the One China policy, not supporting 'Taiwan Independence.' We hope that the Japanese side will honor the aforesaid commitments with actions." Only by learning from Germany, reflecting upon its history in earnest and translating its repentant attitude toward victim countries into actions can Japan win trust, which is necessary for Japan to live in amity with its neighbors and promote Northeast Asian cooperation, and helpful for Japan to play more roles internationally, which is where Japan's long-term interests lie.

U.S. Politics and Community-Building in Northeast Asia

Donald Gregg

The theme of my remarks will be that domestic politics in the United States has not been helpful to community building in Northeast Asia. That's how I relate these two subjects. I think that the United States has an absolutely legitimate concern about North Korea as a breaker of NPT, a possible proliferator and a possible seller of weapons to perhaps terrorist groups. But we have not been all understood in the way that we have calibrated. The introduction of our concerns into Northeast Asia, which is at a unique period of history, where perhaps age-old animosities can be put aside and a nuclear committee can emerge.

I've been deeply moved by what I've heard from Prime Minister Murayama and Professor Wada. Both of them have a keen sense of the isolation which Japan still suffers from to a certain extent in this region. I've been struck by how many people have spoken, starting with Mr. Han Seung-soo, that we need a new paradigm to develop fully a community spirit in Northeast Asia. I thought that the talk about setting up a parallel set of six-party talks was a terrific one. I don't usually like to give compliments to Rumsfeld. But I think that "if you can't solve the problem, broaden it" has a very interesting applica-

tion here. So all is not lost. But as Don Oberdorfer said, the game has changed. I would add that at the six-party talks track two version in Chingtao in October 2003, the Chinese were gracious hosts. The core group at that meeting was Chinese, Russians and South Koreans. The three isolated countries were the United States, Japan and North Korea.

Fu Ying said at that time that we all agree that what we want is a nuclear-free Korean Peninsula, including North Korea. All agreed as to where we want to wind up, which is a demonstrably nuclear-free Korean Peninsula. We don't know how to get from position one to position two. We don't know who's going to make the first move, and we don't know whether it is parallel, simultaneous or sequential. And she turned to the American representative and said, what do you have to say to that. And he said, all I can say is that North Korea doesn't have to do everything before we do anything. And she said, that sounds more like an attitude than a policy. And I don't really think that we're much closer to enunciating policy toward North Korea than we were at that time.

South Korea and the United States are vibrant democracies. We have both elected controversial presidents. There is a lot of tumult in both of our societies, about what those presidents are doing and are not doing. I've just brought a couple of books to mind. One is called "Sands of Empire" by Robert Merry, a former Wall Street Journal reporter, who accuses Bush of running what he called a "Crusader State." Richard Haas, now chairman of the Council on Foreign Relations, has a book called "The Opportunity." There is a wonderful quote in it: "The United States does not require the world's permission to act but it does require the world's support to succeed." I think that applies very much to the situation here in this region.

I've been impressed by what I've heard from our Russian and Chinese friends about their developmental plans. I certainly think that the stage has been set better than it ever has been for this region to emerge as a bellwether for the world. The problem is North Korea. Does North Korea want to permanently maintain nuclear weapons? I don't know the answer to that. We had just discovered through the documents that have been declassified out of Russia and Hungary that North

Koreans had pursued nuclear weapons development since the 1960s. I think that the United States has really underestimated how much North Koreans want those nuclear weapons, how much they valued their deterrent capacity and how much it's going to take you to get them to give them up. And I think the penalties for not directly addressing North Korea at an earlier time grew heavier with the passage of time.

So I think that our friends here in the region—and we have a lot of friends and we deserve a lot of friends, because our record in the Pacific since the end of World War II has been extraordinary. And I think our record over the past four-and-a-half years has fallen off that standard. But that's not saying it's going to be that way forever. And I think the conferences like this are tremendously valuable. I hope very much that a continuing role can be played by Jeju in bringing into fruition some of the very good ideas that have been voiced through this conference. Thank you for giving me opportunity to speak.

Thank you.

PART III

Peace and Security in NEA: Challenges and Visions

Reflections on the 2000 Inter-Korean Summit and Its Implications for Peace and
Security on the Korean Peninsula
The North Korean Nuclear Crisis and Strategy for Breaking the Current Stalemate
Japan and North Korea in Northeast Asia
Russian Foreign Policy and the Asia-Pacific Region

*Reflections on the 2000
Inter-Korean Summit and
Its Implications for Peace and
Security on the Korean Peninsula*

Dong-won Lim

The inter-Korean summit in 2000 that took place in Pyongyang was a truly historic event that served as a turning point in the history of the divided nation on the Korean Peninsula. The South-North Joint Declaration adopted at this meeting was seen as a declaration starting a peace process aimed at ending the Cold War on the Korean Peninsula.

On June 13, 2000, then President Kim Dae-jung of the Republic of Korea arrived in Pyongyang to attend the very first inter-Korean summit since the division of the Korean Peninsula. North Korean leader Kim Jong-il greeted him with a memorable statement, saying:

“In defiance of fear, President Kim has bravely visited Pyongyang. There are armed soldiers on the front line ready to fire at each other. Yet, President Kim even undertook an inspection of an honor guard of the Peoples Army. This is such an extraordinary contradiction, wouldn't you agree?”

It was indeed a contradiction for President Kim, who was also Commander-in-Chief of the ROK Armed Forces, to visit the capital of

North Korea and inspect an honor guard of the North Korean Army at a time when the two sides were in a tense military standoff with the very real possibility of war breaking out at anytime.

After more than a half-century since the end of the Korean War, 1.7 million soldiers still stand face-to-face at the cease-fire line, with an armistice regime remaining tenuously in place. Tensions on the peninsula were raised due to the frequent infiltration of North Korean commandos while the largest post-truce sea battle in the western sea between naval ships of the South and North took place about a year ago.

Although it had been over ten years since the Cold War between the U.S. and the Soviet Union came to an end, South and North Korea were not able to overcome their mutual distrust and hostility and thus engaged in a zero-sum game. Therefore, President Kim Dae-jung visited Pyongyang to alleviate this contradiction of the peninsula.

The inter-Korean summit was meant to serve as a turning point toward a positive-sum game that would provide the right environment and conditions for North Korea to begin to open up and reform in conjunction with policies designed to pursue common prosperity for both the South and North.

It is safe to say that this summit was the fruit of the former president's sunshine policy, aimed at reconciliation and cooperation between the South and North. This policy was warmly received and actively supported by numerous countries including the United States, China, Russia and Japan. Confronted with dire economic circumstances, North Korea, in pursuing a survival strategy, was also in favor of this policy.

It is also safe to say that the summit was the culmination of cooperation between the ROK and the U.S. in coordinating their North Korea policy. The Clinton administration actively worked to improve US-North Korea relations by cooperating with the ROK government. In other words, an active engagement policy toward North Korea on the part of the U.S. contributed to the realization of the inter-Korean summit.

I. Significance of the Inter-Korean Summit

The very first negotiating item as well as the most important issue of the summit was to eliminate the danger of war by working to establish peace on the Korean Peninsula.

Inaccurate information, misunderstandings, misjudgments, miscalculations and mutual distrust between leaders of hostile nations are said to be the causes of war. If leaders can sit down face-to-face to exchange accurate information, remove any misunderstandings, correct misconceptions, pass fair judgment and build political confidence, they will certainly be able to prevent war and relieve tensions.

Through three days of meetings and conferences, the leaders of South and North Korea had frank discussions with each other. Both leaders acknowledged that a war would only cause the destruction of the Korean nation, and thus they agreed that neither side would invade the other. They also agreed not to pursue unification either by "communizing the South" or by "absorbing the North," confirming a common understanding on both sides that neither option would be possible for the Korean Peninsula.

They agreed to respect each other by putting an end to all subversive activities and slandering. Subsequently, North Korea stopped defamatory loudspeaker broadcasts along the cease-fire line and South Korea took the same steps the very next day.

Furthermore, both leaders agreed on working to realize the denuclearization of the peninsula in abiding by the 1992 Joint Declaration on the Denuclearization of the Korean Peninsula and the 1994 US-DPRK Agreed Framework. In order to achieve peace and stability, North Korea would work to improve relations with the U.S. and Japan, and South Korea would actively support North Korea in this matter.

President Kim emphasized the fact that due to the geopolitical location of the Korean Peninsula, it would be impossible to achieve peace without the support and cooperation of neighboring nations and thus, it should be an open rather than closed independence. He also stressed the importance of security and cooperation in Northeast Asia and that it would be desirable, for the sake of stability, for U.S. Forces continue

to be stationed in Korea.

Under the condition that the status and role of the USFK be adjusted, North Korea showed approval of the U.S. Force's presence on the Korean Peninsula as a balancer and stabilizer, and made clear that its position had been directly notified to the U.S. administration in early 1992.

In establishing a level of trust between the two sides aimed at preventing war, inter-Korean relations began to improve in a direction toward fundamentally eliminating security threats and firmly establishing peace on the peninsula. After the inter-Korean summit, tensions between the South and North and the risk of war actually began to decrease.

Second, South and North Korea began to share a common perception in regards to the issue of unification. In answering the question of achieving unification, where neither communizing the South nor absorbing the North is an option, the two leaders agreed to pursue gradual unification through exchanges and cooperation on the principle of peace and on the basis of recognizing unification as both a goal and a process.

The unification plan of South Korea involves integrating the two societies first through exchanges and cooperation and then pursuing national unification in the future. By creating a confederation, it aims to lead the current divided nation toward a peaceful unification where de facto unification should be realized before de jure unification.

The North Korean leader also acknowledged that unification cannot be achieved overnight and that both Koreas should work their way through the unification process over a long period of time by peacefully coexisting with each other. Thus, he recognized South Korea's unification plan as reasonable and realistic.

Unification-first principles and a belief that unification must be achieved immediately by every possible means had long existed among some Koreans. However, the two leaders recognized that this was unrealistic and confirmed that they should approach unification through a process by first establishing peace.

Third, the inter-Korean summit had paved the way for both sides to build mutual trust by vitalizing exchanges and cooperation between

them.

The biggest barrier in inter-Korean relations is the half-century of deep-seated distrust that developed between the two sides. Both leaders recognized that establishing trustworthy relations is their top priority. This requires action not words. They agreed to build trust by putting agreed terms into action.

The two leaders came to an agreement on workable matters, such as the reunion of separated families; reestablishing rail and road links; constructing an industrial complex to pursue common interests by combining capital and technology from the South with labor from the North; economic cooperation; social and cultural exchanges; and promoting dialogues between the two Koreas. These words were put into action almost immediately after the summit meeting.

For the past five years since the summit, some significant changes, although not all that satisfying, have taken place on the peninsula. Following the opening of the sky and sea between the South and the North, rail and road links that pass through the demilitarized zone (DMZ) were established. The Gaesong Industrial Complex is being constructed and operation of the factories has already begun, as has the Mt. Geumgang Tourism Project in the east peace corridor.

There was also some progress in building military confidence between the two sides. Both armies are cooperating closely with each other to establish rail and road links and oversee exchanges of human and material resources. Military conferences are being held and a hot line between the South and the North's military bases is also in operation.

As a result of these actions to forge progress in inter-Korean relations, mutual trust grew while hostility originating from the confrontational era of the Cold War was alleviated. As these excessive feelings of crisis diminished, there have been desirable changes in the internal order of the South and North.

North Korea introduced market-oriented economic reforms. It is currently undergoing a significant transformation where the public distribution system that bolstered the socialist system is being abolished step by step, market forces are strengthening and the principle of equality in distribution is disappearing. The speed of this transforma-

tion can be accelerated with the introduction of capital and technology from overseas.

II. Peace Process on the Korean Peninsula

The inter-Korean summit, where the two leaders agreed on pursuing gradual unification while peacefully coexisting with each other, paved the way for the development of inter-Korean relations. Since the summit, both sides began a peace process to end the Cold War on the peninsula through political, military, economic, social and cultural exchanges and cooperation.

Nonetheless, it is difficult to solve all the problems of the Korean Peninsula by merely making efforts to improve inter-Korean relations. Even these efforts are being challenged by external influences. Due to the peculiarity of the Korean agenda, multidimensional and comprehensive efforts toward the peace and prosperity of Northeast Asia must also be made to dismantle the Cold War structure on the Korean Peninsula.

This Cold War structure consists of numerous interdependent elements. Some examples include mistrust and confrontation between South and North Korea, North Korea's closed-ness and rigidity, hostility between North Korea and the U.S., the North Korean nuclear problem and the Cold War order of Northeast Asia.

In order to transform the armistice regime into a peace arrangement, inter-Korean relations must improve and North Korea must undergo considerable changes by opening up and undertaking reform. US-DPRK relations must be normalized with the resolution of North Korea's nuclear problem, and arms control must be realized. Furthermore, a viable mechanism for security and cooperation in Northeast Asia must be established. These elements must achieve progress together.

Despite ups and downs, inter-Korean relations have improved since the summit. Tension has been reduced and trust has been built between the two sides. North Korea has been pursuing market-oriented economic reform.

In fact, at one time, the future looked bright for improvements in US-DPRK relations and for a resolution of the North Korean nuclear problem as well. By adopting the 1994 US-DPRK Agreed Framework, the Clinton administration had found a means to freeze nuclear activities in North Korea and to settle missile-related issues. It also adopted the 2000 US-DPRK Joint Communiqué to improve relations with North Korea and in turn, a visit to North Korea by then President Clinton was planned. If this had taken place, the fate of the Korean Peninsula would have been different today and it could have also helped in establishing a new order for peace and prosperity in Northeast Asia.

However, the tide turned with the Bush administration, which adopted a more hard-line North Korea policy, citing North Korea as part of an "axis of evil" subject to regime change and preemptive attacks. In turn, the North Korean nuclear problem resurfaced in response to hardened U.S. policy. It is certainly deplorable to witness heightened security threats on the peninsula. North Korea's development of nuclear weapons cannot be tolerated and the Korean Peninsula must be denuclearized.

It is easy to distrust and detest, and become increasingly confrontational, adopting a rhetoric of "axis of evil" or "outposts of tyranny"; however, this would not help to solve problems. As seen in Cuba and Iraq, a containment policy that comes with pressure and isolation to force the capitulation or collapse of a nation would only reinforce dictatorship and cause a tremendous amount of suffering for the citizens who reside in that nation.

Through a process of resolving the North Korean nuclear issue and improving relations, the U.S. should use an engagement policy that induces change in North Korea rather than trying to solve problems by regime change. The U.S. should engage North Korea and provide the environment and conditions in which North Korea no longer feels the need to possess or develop nuclear weapons. This would be beneficial for both the U.S. and Northeast Asian peace and stability.

Furthermore, the Bush administration should not only recognize North Korea as a sovereign nation but also accept the current regime as a negotiating partner, while making efforts to engage in a sincere negotiation that aims for nonproliferation rather than regime change.

It would be desirable for the administration to engage in a comprehensive give-and-take approach in diplomatic, security, economic, and trade sectors.

Peace on the Korean Peninsula depends largely on U.S. policy toward Northeast Asia. Instead of maintaining a Cold War order, it should work toward the peaceful resolution of North Korea's nuclear proliferation and normalization of US-DPRK relations. Moreover, through a process of realizing arms control on the peninsula and transforming the armistice into a solid state of peace, changes in North Korea could be facilitated.

In addition, the U.S. needs to play an important role as a balancer and stabilizer in Northeast Asia so that China and Japan can contribute to this region. It would be in the best interests of the U.S. to initiate the establishment of an organization for Northeast Asia security and cooperation, and to seek peace and prosperity for the Korean Peninsula as well as Northeast Asia as a whole.

South Korea should devote itself to making more active efforts to improve inter-Korean relations. Korean problems cannot be resolved by making the inter-Korean summit conditional on prior progress in the North Korean nuclear issue. A change in the way of thinking is strongly desired regarding this matter. Due to the special, multi-faceted characteristics of the issue, it is inevitable that a resolution of the North Korean nuclear problem will take considerable time. Therefore, instead of being put on hold, inter-Korean relations must be revitalized in order to help resolve the North Korean nuclear problem. Progress on the resolution of the North Korean nuclear issue must run parallel with the improvement of inter-Korean relations.

An inter-Korean summit should provide a forum for the South and North to comprehensively negotiate all matters concerning the Korean problem and to build trust between them. It is crucial for inter-Korean relations that both sides maintain communication channels and build trust by exchanging special envoys.

For the development of inter-Korean relations and peace on the peninsula, the summit meetings should take place on a regular basis. The 2000 inter-Korean summit proved that only by sitting face-to-face and engaging in direct dialogue, is change from above possible. Such a

summit provides a shortcut to problem solving.

Despite all the difficulties and challenges that the South and North might face in the future, they should make their best efforts to abide by the Joint Declaration. In this process, a South-North economic community should be established and arms control should be realized in pursuit of a common security. With the formation of the South-North Confederation, the armistice should be replaced by a peace regime.

*The North Korean Nuclear Crisis and Strategy for Breaking the Current Stalemate**

Charles L. (Jack) Pritchard

I. The Origins of the Current Nuclear Crisis

In the summer of 2002, the Bush administration had finished its second North Korea policy review and was prepared to dispatch a presidential envoy, Assistant Secretary of State James A. Kelly, to Pyongyang to enter into discussions designed to lead eventually to a normalized relationship between the United States and the Democratic People's Republic of Korea (DPRK). At the heart of the U.S. policy was a proposal, termed the "Bold Approach," that envisioned a series of quick, bold steps by the DPRK that would fundamentally transform North Korea and address U.S. security concerns. In return, the United States would be prepared to provide significant amounts of economic assistance and take the necessary steps toward normalization.

In June 2002, the United States sought to arrange a trip by Assistant

*Information and analysis for this paper are current as of April 30, 2005, the date conference papers were submitted. Suggestions or comments made in the paper may be overcome by actual events between the time the paper was prepared and the time of the conference.

Secretary Kelly to Pyongyang on July 10 of that year. Those arrangements were requested of the DPRK's permanent representative to the United Nations in New York City by the special envoy for negotiations with the DPRK. While the United States was waiting for a response from Pyongyang approving the trip, two significant events occurred. First, the U.S. intelligence community issued a classified finding that North Korea had embarked on a large-scale program to produce highly enriched uranium for the purpose of creating a secret nuclear weapons program. The administration had known for some time that Pyongyang was engaged in a limited research and development project using Pakistani supplied centrifuges to enrich uranium, but the information that became available in late June 2002 made clear that North Korea was seriously attempting to develop a clandestine nuclear weapons program on a large scale.

As the administration pondered what steps to take, it became apparent that it would not be ready to address this new information in a meeting with North Koreans on July 10. The question then became how to postpone the meeting until the administration was prepared to raise the highly enriched uranium (HEU) issue with the North Koreans. The answer came in the form of an unfortunate military clash between South Korean and North Korean patrol boats on June 29 in which a South Korean boat was sunk and several South Korean sailors were killed. Because of a continuing desire to see bilateral talks between the United States and North Korea materialize, Seoul advised Washington to disregard the patrol boat incident and proceed with the scheduled meeting on July 10. However, the United States had not yet shared with Seoul its newly formed intelligence estimate that Pyongyang was engaged in a large-scale effort to produce enriched uranium and instead took the opportunity to inform Pyongyang that it was inappropriate under the circumstances of the military clash at sea to meet and withdrew the request for the July 10 meeting.

Once the administration had decided that it needed to confront North Korea on its HEU program, a new opportunity to engage Pyongyang had to be created. This was not an easy proposition since the administration was very much divided on the merits of engagement. However, several events worked in favor of the pro-engagement

approach. The first came shortly after the sinking of the South Korean patrol boat when Pyongyang issued a statement of regret over the loss of life. This was as close to a public apology as Seoul could expect, and since it was offered without pressure or passage of too much time, South Korean officials accepted it as a closure to the unfortunate clash at sea. Seoul then reemphasized to Washington the importance of engagement. It is important to note that Seoul still had no information about the HEU program and assumed that the reengagement by Washington with Pyongyang would lead to the normalization process that was postponed by the cancellation of the July 10 meeting.

The next event that helped the pro-engagement forces within the administration was Secretary Powell's supposedly unscripted, chance encounter with his DPRK counterpart, Foreign Minister Pak Nam-sun on the margins of the ARF Ministerial meeting at Brunei. That encounter was followed by the last minute approval by Secretary Powell for the U.S. representative to the Korean Peninsula Energy Development Organization (KEDO) to travel to Kumho, North Korea, to attend the concrete pouring ceremony for the second light water reactor (LWR). In both cases, Secretary Powell made the decision without consultation with others in the administration. Within the administration, there was concern that attending the concrete pouring ceremony would be sending exactly the wrong signal that the Agreed Framework and the LWR project were on track and supported by the administration at a time when the United States had credible information that Pyongyang was in violation of the terms of the Agreed Framework.

The U.S. representative to KEDO rewrote an initial draft speech that had been prepared by the Department of State's Korea Desk for delivery at the Kumho ceremony, toughening the language to take into account the underlying concerns about a secret HEU program. Even as the U.S. representative began his last minute travel to Seoul to meet with other KEDO board members, the Kumho remarks continued to be vetted within the interagency process. Suggestions by the Department of Defense were so onerous that the U.S. representative decided to ignore them as unsalvageable and work directly over the phone from Seoul with the National Security Council's director for

counter-proliferation to reach an acceptable and rational text that could be used at the Aug. 7, 2002 events in Kumho.

The remarks were crafted to send a signal to Pyongyang that all aspects of the Agreed Framework were important. In the opening portion of the remarks, the U.S. representative said, "The Agreed Framework has been a key component of US-North Korea policy. When we agreed to the terms of the Agreed Framework, we did so with the full expectation that all aspects of our concerns over North Korea's nuclear program would be resolved *finally* and *completely*. As administration officials have stated many times, the United States will continue to abide by the terms of this accord so long as North Korea does the same; we expect the DPRK to abide by the *fact and the spirit* of the agreement."¹ The italicized portions were intended to be an unspoken association of U.S. concerns with North Korea's HEU program. Media coverage of the event reported the remarks and the event in a straightforward manner, much to the relief of Secretary Powell, and helped create the environment in which a decision was made to seek a meeting in Pyongyang in order for the administration to confront North Korea over the HEU issue.

On Sep. 22, 2002, the U.S. special envoy for negotiations with the DRPK met with the DPRK permanent representative to the United Nations at the DPRK's mission in New York City and requested that the canceled July 10 meeting be rescheduled for Oct. 3-5, 2002. During the discussion, the special envoy made several requests unassociated with the actual purpose of the meeting. In the past, U.S. government officials, with the lone exception of former Secretary Madeleine Albright's October 2000 visit to Pyongyang, were required to originate any trips aboard U.S. military aircraft from Yokota Airbase, Japan, rather than any airfield in South Korea. The normal North Korea-approved flight plan would take the aircraft out into international airspace north toward Russian airspace and then south into North Korean airspace and then to Pyongyang's airport. The special envoy requested a direct flight from Seoul to Pyongyang in a U.S. mili-

¹ "USG remarks for KEDO Concrete Pouring Ceremony" as delivered by Ambassador Charles L. Pritchard on Aug. 7, 2002.

tary aircraft. In addition to the direct air route, the special envoy asked for two members of the U.S. delegation not able to be accommodated on the military aircraft to be permitted to drive through the Demilitarized Zone to Pyongyang. He also specified with whom the U.S. delegation wanted to meet and the sequence of the meetings. The primary purpose of these requests was to require coordination between the North Korean military (KPA) and the U.S. military – small confidence building measures at a time when little cooperation was occurring.

Recalling what happened during the delayed response by Pyongyang in granting the U.S. initial request for a meeting for July 10, the DPRK United Nations ambassador promised a quick response. Seventeen hours later, Pyongyang informed the special envoy that all aspects of his request had been approved. The point in recounting the events of Sep. 22-23, 2002, and the speed of Pyongyang's approval of the trip is that Pyongyang anticipated that the request for the Oct. 3-5, 2002 meeting was to pick up where the proposed July 10 meeting was supposed to go: a U.S. presentation of the president's "Bold Approach" that Pyongyang hoped would lead to normalization of relations with the United States. Pyongyang had no inkling that the United States intended to bring up highly enriched uranium.

II. October 2002 Confrontation²

The results of the trip in early October are well known. Contrary to some still circulating reports, the U.S. delegation did not present North Korean Ministry of Foreign Affairs officials or anyone else with "proof" of U.S. HEU concerns. It was the unanimous view of the U.S. delegation that First Vice Minister Kang Sok-ju issued a defiant acknowledgement of the DPRK's HEU program during the October encounter with Assistant Secretary Kelly. The fact that Pyongyang

² The October 2002 Confrontation section has been revised from an original presentation entitled *The Evolution to a Multilateral Approach in Dealing with North Korea* given at the Conference on North Korea. "North Korea, Multilateralism, and the Future of the Peninsula" Nov. 20-21, 2003, Seoul, Korea.

changed its story about the Oct. 4, 2002 meeting – going from a defiant acknowledgement, to declaring its right to have a nuclear weapons program, to invoking "neither confirm nor deny," to the most current denial of the HEU program – does not change the level of confidence the United States has about its intelligence information.

In the aftermath of the October Pyongyang trip, the United States moved to convince its allies and fellow Korean Peninsula Energy Development Organization (KEDO) executive board members that it did not make any sense to continue to provide North Korea with heavy fuel oil (HFO). Delivery of 500,000 metric tons of HFO was part of the obligation the United States assumed as part of the 1994 Agreed Framework. The Agreed Framework was, in shorthand, a non-proliferation agreement. Although concluded bilaterally between the United States and the DPRK, the Agreed Framework was very much a multi-lateral instrument.

In early 1995, the Korean Peninsula Energy Development Organization was established by the founding executive members: Japan, the Republic of Korea and the United States. In its first year of existence, Finland, New Zealand, Australia, Canada, Indonesia, Chile and Argentina joined as members. The European Union followed shortly thereafter, joining the original three member nations as a member of the executive board. In that first year, a total of 20 countries contributed more than \$84 million to KEDO.³ Poland, the Czech Republic and Uzbekistan have since become members, bringing the number of international partners in KEDO to 13 countries.

On Nov. 14, 2002, the KEDO executive board met in New York City at KEDO headquarters to discuss and eventually agree to suspend HFO shipments to North Korea beginning with the December shipment. The November shipment of HFO was already on the high seas enroute to North Korea, and board members were reluctant to turn that shipment around days before it was due to enter North Korean waters. The board issued a statement condemning North Korea's pursuit of a nuclear weapons program, calling it a shared challenge to all

³ *Korean Peninsula Energy Development Organization (KEDO) Annual Report 1996/1997*, p. 13.

responsible states.⁴

Pyongyang's first indication of how it would ultimately react came in a Nov. 25, 2002 *Nodong Sinmun* commentary designed, in part, to reject multilateralism and focus responsibility exclusively on the United States. The commentary said, "The concerned signatories to the DPRK-US Agreed Framework are not the KEDO but the United States and we. The United States is leading the KEDO. The aforementioned facts show the U.S. government first having decided to suspend the heavy fuel oil provision to us and then announcing the decision using the KEDO's name. The United States is trying to cover up its unilateral maneuvers with a so-called wrapping cloth of collective opinion."⁵

Specific action came in late December when Pyongyang announced the expulsion of IAEA monitors and the removal of the IAEA's monitoring devices at Yongbyon. On Jan. 10, 2003, the DPRK withdrew from the Non-Proliferation Treaty (NPT) and began the process of restarting its plutonium-based nuclear facilities at Yongbyon.

The United States first proposed multilateral talks with North Korea on Jan. 22, 2003. The original proposal was for P5 plus 5 talks, meaning the United Nations Permanent 5 plus North and South Korea, Japan, Australia and the EU. Three days later, Pyongyang rejected the proposal, saying, "We are opposed to multilateral talks and will never attend P5 plus 5 talks."⁶ Embedded in the message to the North Koreans on P5 plus 5 talks was an implication that direct talks between the United States and the DPRK could take place within the context of multilateral talks.

During Secretary Powell's trip to China enroute to the inauguration of ROK President Roh Moo-hyun, he suggested that Beijing would be well positioned to organize and host multilateral talks involving the United States, China, Japan and North and South Korea. The Chinese did not respond directly to the secretary but did pursue the suggestion in early March when Qian Qichen went to Pyongyang. When the

4 KEDO Executive Board Statement, Nov. 14, 2002.

5 *Nodong Sinmun* commentary carried by Korean Central News Agency (KCNA) Nov. 25, 2002.

6 Telephone conversation between the author and Ambassador Pak Gil-yon.

North Koreans rejected the Chinese offer of five-party talks, Qian revised his suggestion on the spot and offered three-party talks instead. Pyongyang continued to request bilateral talks through the US-DPRK "New York channel." By the second week of April, the back and forth in both the New York channel and in the Beijing-Pyongyang channel had ended, and all were agreed to meet trilaterally in Beijing later in April.

It is reasonable to assume that the Chinese were able to convince Pyongyang to agree to trilateral talks by strongly suggesting that there would be bilateral talks between the United States and the DPRK embedded in the trilateral process. That was not the case. The U.S. delegation was under explicit instructions not to have any bilateral contact with their North Korean counterparts. During the welcome banquet on the first evening of talks in Beijing, Ambassador Li Gun, head of the North Korean delegation, was able to corner the U.S. head of the delegation Jim Kelly and have a few private words concerning the North's nuclear capabilities. When the North's request for a bilateral session was refused, the talks ended.

III. The Six-Party Process⁷

Almost immediately after the failure of the April session, the Chinese sought to resurrect the process, seeking to repeat the three-party formula. By this time, the United States was insisting that any future rounds include the ROK and Japan. Washington had previously received approval from Seoul and Tokyo for the first trilateral session that excluded them but with the understanding that talks would be expanded to include the ROK and Japan as soon as possible. Upon Moscow's insistence, the United States quickly added Russia to the list of future participants in any multilateral talks. In consultations with Secretary Powell in late July 2003, Chinese Vice Minister Dai Bingguo

7 The Six-Party Process section was originally published by the author in the United Nations Institute for Disarmament Research's *Disarmament Forum*, 2005 no. 2, "The Korean Peninsula and the role of multilateral talks."

pushed for Washington's acceptance of another round of three-party talks in view of Pyongyang's insistence that it would not attend five- or six-party talks. In a compromise and in consideration of Beijing's efforts, the United States suggested that it could attend an initial three-party session if it were followed immediately by a full six-party round of talks.

By this time, Secretary Powell had gained the president's approval for the American delegation to have direct contact with North Korea in the context of a multilateral setting. On Aug. 1, the state-run Korean Central News Agency (KCNA) responded publicly to the various formulas that had been proposed to restart talks in Beijing:

Some time ago, the United States informed the DPRK through a third party that the DPRK-US bilateral talks may be held within the framework of multilateral talks. At the recent DPRK-US talks, the DPRK put forward a new proposal to have six-party talks without going through the three-party talks and to have the DPRK-US bilateral talks there. The DPRK's proposal is now under discussion.⁸

Eventually, two rounds of unproductive talks involving all six parties took place in August 2003 and February 2004. But it is the third round that produced somewhat different results, and it is the third round that will be the basis of the initial discussion for any follow-up rounds of talks should the current stalemate be broken.

IV. Six-Party Talks—Round Three

The third round of six-party talks in late June 2004 was shaping up as a critical session. The South Koreans were making progress in their own talks with Pyongyang, Japanese Prime Minister Koizumi had made a second trip to Pyongyang, and the Chinese had made public comments about the need for additional U.S. flexibility in dealing with

⁸ KCNA, Aug. 1, 2003.

North Korea. Had the June round of talks followed the pattern of the previous two sessions, many observers believed it could have been the end of the multilateral process. However, concerns within the U.S. administration over continued critical world opinion, the prospect that North Korea could become an election year issue, and, most importantly, the personal intervention by Prime Minister Koizumi with President Bush during the G8 meeting in early June 2004 at Sea Island, Georgia, led the United States to make its first concrete proposal to resolve the nuclear crisis during the third round of talks.

While Pyongyang eventually rejected the specifics of the U.S. proposal, it initially declared that positive progress had been made. In testimony before the U.S. Senate Committee on Foreign Relations, Assistant Secretary of State James Kelly described the U.S. proposal as one in which the United States envisioned a short preparatory period of three months to prepare for the dismantlement and removal of the DPRK's nuclear programs. In this initial period, according to Kelly, the DPRK would provide a complete listing of all its nuclear activities and cease operations of all its nuclear activities; permit the securing of all fissile material and the monitoring of all fuel rods; and permit the publicly disclosed and observable disablement of all nuclear weapons/weapon components and key centrifuge parts. Kelly emphasized that North Korea's declaration would need to include its uranium enrichment program and existing weapons. Under this proposal, other parties would take corresponding steps as the DPRK carried out its commitments. One of the provisions of the U.S. proposal that Pyongyang found troubling, among many, was the exclusion of the United States from taking part in the provision of heavy fuel oil to North Korea once Pyongyang had agreed to the approach outlined by Kelly.⁹

For its part, Pyongyang, through its spokesman, said, "Clearly expressing once again that the denuclearization of the Korean Peninsula is our ultimate goal, we once again made it clear that if the United States gives up its hostile policy against us through action, we will

⁹ Testimony before the Committee on Foreign Relations of the U.S. Senate's hearing on a report.

transparently renounce all our nuclear weapons-related programs. We presented a concrete plan on nuclear freeze, on the premise that if the United States withdraws the CVID (complete, verifiable, irreversible dismantlement) demand and accepts our demand for reward.”¹⁰ The third round ended with both the United States and the DPRK having made proposals but without a serious discussion of either.

V. Stalemate

At the conclusion of the third round of talks, all parties agreed in principle to meet again for the fourth round by the end of September 2004. However, Pyongyang began to back away from its commitment to participate as the U.S. presidential election got into full swing. In August, President Bush, at a campaign stop, referred to Kim Jong-il as a tyrant - setting off a two-day tirade against the president by Pyongyang. Most observers attributed this reaction as an excuse to delay the next round of six-party talks until after the presidential election in November.

But according to Pyongyang, the single biggest obstacle that needed to be overcome in order for Pyongyang to return to six-party talks was “rectifying Washington’s broken promise coming out of the June talks.”¹¹ Pyongyang believed that Washington had deliberately stopped using the term “complete, verifiable, irreversible dismantlement” during the third round in favor of a different formulation that Pyongyang interpreted as a deliberate signal, which, in turn, prompted it to initially declare the talks positive. When the terminology was publicly reiterated by U.S. officials after the third round of talks, Pyongyang claimed that the foundation for agreeing to the September round no longer existed.¹²

In December 2004, Pyongyang announced, “the DPRK intends to

10 DPRK spokesman’s June 25 news conference at six-party talks in Beijing.

11 Discussion between the author and a senior North Korean diplomat, September 2003.

12 DPRK spokesman’s June 25 news conference at six-party talks in Beijing.

follow with patience the course of policy-shaping by the second term of the Bush administration. It is useless to hold talks, even a hundred times, without producing any substantial results. If the United States persists in this wrong stance, it would be hard to resume the talks. The United States should take a confidence building attitude to making a policy switchover, which is the key to the settlement of the nuclear issue.”¹³ Pyongyang’s clearest signal that it was ready to return to talks came Jan. 14, when KCNA announced that North Korea was willing to resume the six-party talks, explaining that Pyongyang was stressing the need to take a future-oriented approach toward improving bilateral relations with Washington, instead of repeating “the unpleasant past.”¹⁴

But things took a sharp turn for the worse on Feb. 10 when the DPRK Foreign Ministry released a statement,¹⁵ saying that it had closely followed the development of President Bush’s second term cabinet along with remarks by the president and Secretary Rice and determined that the true intention of the administration was aimed at regime change in North Korea. The statement went on to announce that the DPRK was suspending participation in the six-party talks for an indefinite period and that it had manufactured nuclear weapons. The announcement preceded a planned trip to Pyongyang by a senior Chinese official, Wang Jiarui. When Wang did travel to Pyongyang several days later, he took with him a message from Chinese President Hu Jintao to DPRK leader Kim Jong-il. At the end of Wang’s visit, he met with Kim, who is reported to have told Wang that he would be willing to return to six-party talks but only when conditions were mature. Kim is also reported to have said that the DPRK had never opposed the six-party talks nor would it withdraw from the talks.¹⁶

On March 3, the DPRK Foreign Ministry issued a memorandum clarifying in detail their complaints about the U.S. “hostile policy” and what would be needed to satisfy the conditions to get Pyongyang back

13 *Xinhuanet*, Dec. 14, 2004, citing a *Rodong Sinmun* commentary.

14 *Korean Central News Agency*, Pyongyang, Jan. 14, 2005.

15 *Korean Central News Agency*, Pyongyang, Feb. 10, 2005.

16 *New York Times*, Feb. 22, 2005.

to six-party talks: “The basic key to the solution of the nuclear issue between the DPRK and the U.S. is for the United States to make a switchover from its hostile policy toward the DPRK to a policy of peaceful co-existence with the DPRK, as the issue is a product of the extremely hostile policy of the Bush administration.” The memorandum also called on the United States to apologize for calling the DPRK an “outpost of tyranny.” The Foreign Ministry declared, “We can negotiate with the United States only when it provides such conditions and justification for the resumption of the talks. The DPRK will not act as such a fool to go out to the talks at the request of the one who totally rejected it and works hard to “destroy” it.”¹⁷

Complicating the situation and making it far more difficult to simply pick up at the next round of talks where things were left at the end of the third round of talks in June 2004 is a statement by the spokesman for the DPRK Foreign Ministry on March 31.

If the Korean Peninsula is to be denuclearized, it is necessary to put an end to the growing U.S. nuclear threat in and around the peninsula, the source that compelled the DPRK to have access to nuclear weapons, and establish relations of confidence between the DPRK and the countries concerned. ... The Bush administration, in particular, openly posed a nuclear threat to the DPRK, thus compelling it to produce nuclear weapons so as to prevent a war and protect its system and existence. If the peninsula is to be nuclear-free, it is necessary to clear South Korea of all the nuclear weapons of the United States and root out every element that can help South Korea have access to nukes.

Of course, this should be confirmed through verification. ... Given that the DPRK and the United States are technically at war and that South Korea is under the nuclear umbrella of the United States, nuclear weapons in the hands of the DPRK would serve as a main deterrent force in its effort to avert a war on the peninsula and ensure peace and stability there until the above-said demands are met.

The same can be said of the six-party talks. The six-party talks should

¹⁷ *KCNA*, March 3, 2005, Foreign Ministry memorandum.

provide a platform for seeking comprehensive ways of substantially and fairly realizing the denuclearization of the peninsula, not just as a bargaining ground where a give-and-take type of solution is discussed. Gone are the days when the six-party talks took up such give-and-take type issues as reward for a freeze. Now that the DPRK has become a full-fledged nuclear weapons state, the six-party talks should be disarmament talks where the participating countries negotiate the issue on an equal footing. ...

If the six-party talks are to credibly fulfill their mission, it is necessary to convert them into a place where ways are sought to completely remove the U.S. threat of nukes and a nuclear war from the peninsula and its vicinity.¹⁸

The focus of the six-party talks until this point had been on the dismantlement of the DPRK’s nuclear program. Pyongyang’s public declaration of Feb. 10 and the subsequent Foreign Ministry statement of March 31 changed the dynamic of the situation from disarmament to arms control. Pyongyang was no longer seeking compensation for the dismantlement of its program but rather was seeking an equal seat at the table as a nuclear capable nation. In making this switch, Pyongyang also changed the focus from itself as the subject of discussion to one that attempted to put the United States on the defensive as the cause for the DPRK’s possession of nuclear weapons.

VI. Strategy for Breaking the Stalemate

It is clear that all parties involved in the six-party process have grown weary of the lack of progress and with the announcements by Pyongyang on Feb. 10 and March 31. There is even some concern that a peacefully negotiated settlement of the current crisis rapidly may be becoming impossible. At the heart of this concern is the question that the Bush administration has been asking itself internally for the past

¹⁸ *KCNA*, March 31, 2005, Foreign Ministry spokesman statement.

two years: Will the DPRK ever negotiate away its nuclear weapons program? As we reach the one-year anniversary of the last round of six-party talks in June 2004, patience has been replaced by skepticism and frustration on the part of the Bush administration. On April 21, 2005, U.S. Secretary of State Condoleezza Rice said that Washington had no timeline for abandoning the six-nation disarmament talks and taking the issue to the Security Council. "We are willing, when the time is right, when we believe that we have exhausted the possibilities of the framework we are in, to go to the Security Council," Rice told Fox News Channel while in Vilnius, Lithuania. "We will know when we've had the discussions with our allies and with our colleagues in the six-party talks about when it's time to do that."¹⁹ Such talk has led to speculation that there is an informal deadline coinciding with the one-year anniversary of the June 2004 talks.

Assuming that breaking the current stalemate does not include declaring the six-party process a failure and asking the United Nations Security Council to impose sanctions on the DPRK, the focus then is on how to make diplomacy work. To underscore this need to stay focused on diplomacy and not get ahead of itself in examining UN options, China's UN Ambassador, Wang Guangya, pointed out that any U.S. efforts to slap sanctions on North Korea through the UN Security Council would "destroy" six-party nuclear disarmament talks and "push a solution to this issue even farther away."²⁰

In an opinion piece published in *the Baltimore Sun* on April 12, 2005, Michael O'Hanlon and I wrote that the Bush administration is making four fundamentally wrong assumptions in its current policy on North Korea:

The first is that the six-party format, created by the administration in 2003, automatically works to our advantage. Much is to be said for a negotiating forum that brings together China, Japan, Russia, the two Koreas and the United States to deal with a problem that affects us all. But the original logic that such a format would isolate Stalinist North

Korea has not worked. There is a consensus that the peninsula should be free of nuclear weapons. But there is no agreement on how to achieve that common goal.

Except Japan, other countries in the talks do not think the Bush administration has offered North Korea enough incentives. They also have at least a smidgen of sympathy for North Korea's strategic position in light of the administration's doctrine of pre-emption. Without going so far as to condone a North Korean nuclear arsenal, they understand why a charter member of the "axis of evil" would see such weapons as advantageous, particularly after the U.S.-led invasion of Iraq.

The second incorrect assumption is that other participants in the talks trust our intelligence about North Korea's nuclear programs. But the Iraq experience makes that dubious. So do recent reports that when briefing Chinese and South Korean officials, the United States exaggerated North Korea's past role in shipping uranium gas to Libya. Unfortunately, our credibility has been called into question just when North Korean recalcitrance was working in our favor.

The third incorrect assumption is that China can find a new mix of carrots and sticks to sway North Korea to negotiate seriously. There is nothing wrong in principle with asking China to play an even greater role in the talks. And in theory, Beijing might threaten to cut off aid to North Korea or curtail trade. But those approaches are implausible in light of China's views that Washington has not negotiated with Pyongyang in good faith in avoiding the destabilization of an immediate neighbor.

The United States, by contrast, can offer to give North Korea much more aid, to lift trade sanctions, to approve World Bank and IMF loans, to seal a security pact and to establish diplomatic ties. It should not do so unconditionally. But unless these U.S. carrots are unambiguously offered in exchange for North Korean concessions on the nuclear issue, other security matters and domestic reforms, Pyongyang is unlikely to budge.

Finally, the Bush administration seems to assume that the overthrow of Saddam Hussein will intimidate North Korea into better behavior. But leaders in Pyongyang know how strained U.S. military forces are today and how vociferously South Korea would oppose any use of U.S. force on the peninsula under current conditions.

¹⁹ *The Associated Press*, April 21, 2005.

²⁰ *Chosun Ilbo*, April 27, 2005.

The administration needs a new North Korea strategy. It should show the kind of flexibility toward North Korea that it has wisely decided to use with Iran recently. It should offer North Korea concrete, major benefits if Pyongyang will agree to eliminate its nuclear weapons and take other broad steps that begin a process of reform similar to what Vietnam adopted 25 years ago.

Should talks then fail, the United States could not be blamed for having stacked the deck against their success in advance and might gain more key regional support to make North Korea pay a price for its egregious behavior.²¹

Key to developing a strategy to break the current stalemate is to understand the domestic constraints on the major players in the six-party process. For the purposes of this paper, the major players are the United States, the DPRK and all the “others.” In the “others” category, China emerges as the one country that could entice Pyongyang back to talks based on little more than the natural course of events coming out of the diplomatic preparations to make a potential visit by President Hu Jintao successful. Chinese diplomats would surely explain to their North Korean counterparts that the environment must be conducive for a visit before President Hu could commit to visiting Pyongyang. The appropriate environment, of course, would be a commitment by Kim Jong-il to return to the six-party process expeditiously. Failure to do so would be an embarrassment that both Beijing and Pyongyang would strive to avoid. But using high-level enticement does not equate to a strategy.

The big unknown regarding the DPRK is whether Pyongyang ever intends to give up its nuclear weapons program. Many believe it is possible to negotiate a satisfactory resolution of the current nuclear crisis—that Pyongyang recognizes that it needs international cooperation and support to nurture the economic reforms initiated in July 2003 and that without that support the long-term survival of the regime would be in jeopardy. Others believe that Pyongyang never intended to fully

give up its nuclear weapons program—that shortly after the Agreed Framework was signed and implemented, Pyongyang became dissatisfied with the deal and sought a nuclear weapons insurance policy via the highly enriched uranium route. Unfortunately, the length of time between the six-party session, the rationale for Pyongyang initially withdrawing from the talks and then the conditions under which it would return give credence to those who would suggest that North Korea is simply managing the situation as it maneuvers to become a permanent nuclear weapons state.

On the negative side of the journal with regard to how the United States is dealing with North Korea is a view that there is a strong element within the Bush administration that finds it more acceptable to deal with the short-term problem of a nuclear North Korea. This element justifies its position in anticipation that North Korea will eventually collapse without U.S. support. It fears that a negotiated settlement to remove Pyongyang’s nuclear weapons program would involve significant economic and political support that would prolong the life of the North Korean regime. If Pyongyang has made a strategic decision to become a permanent nuclear weapons state AND if the Bush administration has made a strategic decision not to commit the kind of resources, political and economic, needed for a negotiated settlement, then the prospect for a successful outcome, a non-nuclear and stable peninsula, is extremely unlikely.

To date, the Bush administration has been locked into a public debate with itself about how flexible it has been so far. Without a formal response by Pyongyang to its June 2004 proposal at the last round of six-party talks, additional flexibility is out of the question. This has limited the options that might normally be available to break the stalemate and has led to frustrations within the administration as well as among other members of the six-party process. Publicly speaking or speculating about alternative options serves two purposes. It is meant as a tool to send a message to Pyongyang that U.S. patience is wearing thin, and, absent real progress, the administration is seriously thinking of taking the issue to the United Nations Security Council regardless of Pyongyang’s repeated threats that such a move would be tantamount to a declaration of war. In an April 28, 2005 press conference, President

²¹ *The Baltimore Sun*, April 12, 2005.

Bush seemed to go out of his way to seek an opportunity to attack Kim Jong-il. While he did not break any new ground in his comments, it was seen as undermining his newly appointed six-party negotiator who was at that moment in Asia on his first official trip as assistant secretary of state in an effort to gain support for the six-party process. It is worth reviewing the president's remarks to get an appreciation that he was directing his comments to a domestic U.S. audience rather than attempting to send a diplomatic signal to foreign capitals:

BUSH: Let me talk about North Korea, if you don't mind. Is that your question?

QUESTION: Go right ahead.

(LAUGHTER)

BUSH: I'm surprised you didn't ask it. Look, Kim Jong-il is a dangerous person. He's a man who starves his people. He's got huge concentration camps. And, as David accurately noted, there is concern about his capacity to deliver a nuclear weapon. We don't know if he can or not, but I think it's best, when you're dealing with a tyrant like Kim Jong-il, to assume he can. That's why I've decided that the best way to deal with this diplomatically is to bring more leverage to the situation by including other countries.

It used to be that it was just America dealing with North Korea. And when Kim Jong-il would make a move that would scare people, everybody would say, America, go fix it. I felt it didn't work. In other words, the bilateral approach didn't work. The man said he was going to do something, and he didn't do it, for starters.

So I felt a better approach would be to include the people in the neighborhood into a consortium to deal with him. And it's particularly important to have China involved. China's got a lot of influence in North Korea. We went down to Crawford with Jiang Zemin, and it was there that Jiang Zemin and I issued a statement saying that we would work for a nuclear weapons-free Korean Peninsula. And so, when Kim Jong-il announced the other day about his nuclear intentions and weapons, it certainly caught the attention of the Chinese, because they had laid out a policy that was contradicted by Kim Jong-il.²²

Pyongyang, for its part, also plays to its domestic audience. But in North Korea, the term "domestic audience" is different from what we normally mean it to be. For Kim Jong-il, his domestic audience is the military and elites of the government. We know that there are internal and external mechanisms for Pyongyang to get its message out. The external avenues to speak to the foreign audience do not necessarily translate into information that is similarly available to the North Korean people in general. Kim Yong-nam, chairman of the presidium of the Supreme People's Assembly, told government officials that the North will strengthen its nuclear deterrent against the United States, which he said isolates and oppresses the North.²³ Chief of the General Staff of the Korean People's Army (KPA), Vice Marshal Kim Yong-chun, who is a member of the DPRK National Defense Commission, said, "The army and people of the DPRK will never remain a passive onlooker to the U.S. moves to isolate and stifle it but (will) steadily bolster its nuclear deterrent for self-defense to cope with the enemies' reckless moves for military invasion."²⁴

If both Washington and Pyongyang, by their rhetoric, actions and playing to their domestic audiences, are making it less likely that there will be a next round of six-party talks, what then is a workable strategy to break the current stalemate before the situation spirals totally out of control and the worst instincts of both Pyongyang and Washington take over? The most promising solution for breaking the stalemate centers on the natural diplomatic exchange between Beijing and Pyongyang as they seek to make the conditions surrounding a visit by Hu Jintao to Pyongyang as conducive as possible. That translates into a commitment by the DPRK to attend a fourth round of six-party talks. But merely meeting for a next round does not mean that the stalemate will not simply be carried over at the conclusion of the talks.

While unlikely to be adopted by the Bush administration or helped along by Pyongyang, a creative solution might involve the following steps: First, Pyongyang commits to a date certain to attend the next

²² Press conference by U.S. President George W. Bush, April 28, 2005.

²³ *Yonhap*, April 14, 2005.

²⁴ *KCNA*, Pyongyang, April 24, 2005.

round of six-party talks as part of its respect and appreciation for PRC President Hu Jintao visiting Pyongyang. Second, Assistant Secretary of State for East Asia and chief U.S. negotiator Chris Hill conveys a message through the visit of Hu Jintao that he would lead a small, non-negotiating U.S. delegation to Pyongyang in advance of the next round of talks to listen firsthand to DPRK concerns. This would better enable Hill to more fully prepare for the actual talks and allow him to meet his negotiating counterpart Vice Minister Kim Gye-gwan in a non-threatening, non-pressure packed setting. Third, Pyongyang responds to the Hill overture by conveying either through the Hu delegation or directly through its ambassador to the United Nations, the New York channel, that it is willing to informally discuss all aspects of U.S. security concerns, including HEU, during Hill's visit. Fourth, the U.S. delegation, while in Pyongyang, reiterate its June 2004 proposal in as much detail and with as much flexibility as the one-year hiatus has created without asking for a response. Fifth, during the plenary session of the fourth round of six-party talks in Beijing, the United States would repeat and if necessary improve its June 2004 proposal as it was presented in Pyongyang. Before receiving Pyongyang's formal response to the U.S. presentation, the U.S. and DPRK delegations would meet bilaterally for an extended session during which the DPRK response would be previewed and any points of confusion clarified before repeating the response in the plenary six-party session.

This dynamic of working within the context of the six-party framework, with the United States and the DPRK meeting bilaterally in extended sessions, would serve as the basis to rejuvenate the multilateral concept required by the United States, preserve the important roles China, the ROK, Japan and Russia play, and provide the environment the DPRK is most comfortable with.

Japan and North Korea in Northeast Asia

Yasushi Akashi

I am pleased and honored to participate in the Third Jeju Peace Forum and speak on the subject of "Japan and North Korea in Northeast Asia." This is indeed a timely and suitable subject for our discussion at this forum due to the proximity of most of the players in the geographical area of this beautiful island; due also to the nature of our gathering, which has brought together some great experts on related subject matters; and particularly due to the fact that the North Korean issue as well as the issue of cooperation in Northeast Asia have become subjects of world-wide interest crying for a peaceful, prompt and mutually acceptable resolution. In the absence of such a solution satisfactory to all parties concerned, we must face the prospect of a dire military conflict with unspeakable negative consequences for on-going regional stability, economic well-being and cross-border interchanges of all kinds.

First of all, I must confess that I am somewhat discouraged that the six-power framework, involving the two Koreas, the United States, Japan, China and Russia, has not functioned as effectively as we wished in the purpose of bringing about a peaceful transition to a denuclearized and stable Korean Peninsula, despite the efforts of the

countries concerned, in particular that of China. It is fervently hoped that the six countries continue to work together to agree on a comprehensive, graduated and transparent process in which the Democratic People's Republic of Korea will be able to put an end to military confrontation with the United States, the Republic of Korea and Japan, achieve its transition to a reformed and open economy system and establish a stable and mutually beneficial relationship with the other five countries. In this perspective, current US-DPRK contacts in New York gives rise to some hopes for intensified bilateral negotiations between Washington and Pyongyang, which are not contradictory at all to the six-power framework. Japan for one will not be able to accept a nuclearized North Korea. We believe that the United States, the Republic of Korea, China and Russia are essentially of the same view with us in this matter. The time at our disposal for a peaceful solution is very limited indeed.

What are the prospects for the North Korean situation in the future? Peace can of course be achieved by either North Korea accepting a voluntary renunciation of nuclearization as Libya did, or the United States accepting North Korean demands in their totality. But both of these scenarios are highly unlikely to happen under the present circumstances.

Then, is war inevitable between the United States and North Korea? We can expect a very strong opposition to such an extreme scenario from China as well as from the Republic of Korea because of its far-reaching consequences. Japan will have serious misgivings, too. If that is so, the most probable prospect before us may be neither war nor real peace, but an intermediate gray situation in which (a) diplomatic stalemate continues without a clear-cut breakthrough, interspersed by intermittent talks; (b) the United States and others reinforce their interdiction of nuclear material and technology transfer to and from North Korea; and (c) China and South Korea persist in limited trade with and humanitarian assistance to Pyongyang and encourage it gently toward more open and dynamic relations with the outside world.

In the event of a continuing deadlock and no progress in negotiations, the issue may be referred to the UN Security Council by the United States and its allies with a view to exerting more pressure on

the Democratic People's Republic of Korea, through economic and other sanctions provided for in Chapter VII of the UN Charter. But this is likely to encounter some reluctance by China and Russia, which have a veto, and even by the Republic of Korea. In that event, a protracted period of uncertainty over Northeast Asia may prevail, deepening pessimism by all concerned and resulting in North Korea acquiring more nuclear arms and their delivery systems, and the United States becoming more convinced that its worst suspicions about North Korea are being realized.

Prime Minister Junichiro Koizumi of Japan has tried to persuade Chairman Kim Jong-il that a nuclear weapon-free North Korea will bring more advantages to the country than the continuation of its present confrontational course of action, but to no avail. Japan's willingness to negotiate with the Democratic People's Republic of Korea rests on the terms and conditions of its diplomatic normalization with Pyongyang and on the basis of Japan making sincere apologies over its colonial history, following the pattern of the Murayama statement of 1995, and is accompanied by generous economic assistance, analogous to that agreed upon by Tokyo with the Republic of Korea at the time of their diplomatic normalization. Yet this willingness to negotiate has been seriously damaged by the highly emotional abduction issue of some Japanese, which has cast a very dark cloud on bilateral relations and has gone beyond the original expectations of both Prime Minister Koizumi and Chairman Kim Jong-il. Japan feels deeply frustrated today, unable to realize a cherished normalization with North Korea on an honorable basis for both sides and becoming ever more suspicious of the motives of Chairman Kim Jong-il. A prolonged stalemate is perceived to be extremely dangerous to Japan's security, since the Democratic People's Republic of Korea is likely to use the intervening period to accumulate more nuclear weapons, making it more difficult to bring about a non-nuclear Korean Peninsula and exposing the acute dilemma faced by Japan, which earnestly wants to adhere to its three non-nuclear principles.

Many Japanese want reinvigorated six-power talks to resume and produce fruitful and concrete results in the direction of a non-nuclear North Korea that is part of a nuclear weapon-free Korean Peninsula.

The Japanese also wish to see the six-power framework evolve into something more permanent and substantive in the future, constituting the core of an institutional framework for multi-functional cooperation in the Northeast Asian region. Such a sub-regional mechanism could not only coexist with but also supplement an emerging East Asian Community, which will have wider membership, whatever its ultimate composition might be. For many Japanese, strengthening ties with Japan's Northeast Asian neighbors such as the two Koreas, China and Russia is perfectly consistent with maintaining its existing alliance relationship with the United States, as well as with it becoming a more active and constructive member of the United Nations, including the Security Council. Indeed, they are of the view that Japan's peace and security policy must be firmly anchored in a multi-layered foundation in order to insure Japan through (a) a close alliance with the United States; (b) pursuing multilateralism through the United Nations and NPT frameworks; and at the same time (c) working for a more dynamic and trusting relationship with Asian countries, including Northeast Asian states. In this regard, I regret that Japan, the Republic of Korea and China have divergent concepts of UN Security Council reform and hope that they will continue to work hard for an agreement if at all possible.

I would now like to make a few remarks on Japan, since I feel that Japan's far-reaching transformation since its defeat in World War II in 1945 has not been fully appreciated by some of Japan's neighbors. Since its utter defeat in the war and because of the strong and generally positive impact of the American occupation, post-war Japan has experienced the tremendous growth of democracy in all aspects of its national life. This was facilitated by the experience of parliamentary democracy in the pre-war era, which was stifled by the rise of chauvinistic nationalism and militarism in the 1930's. Post-war Japan has seen pacifism and anti-militarism as new prevailing beliefs. While both democracy and pacifism are being modified to some extent in recent years, I am of the view that democratic convictions and pacifist feelings are so deep-rooted in Japan today that their basic orientation is unlikely to change even if the post-war constitution, involving Article 9, is revised in a way to delete references to not possessing war poten-

tial and the right of belligerency. Paragraph two of Article 9 is widely considered to be too idealistic and even utopian. Many Japanese feel that there is no need whatsoever to change the basic pacifist undertone of the present constitution and Japan's desire to be an "honorable member" of the international community.

Since 1945, the great energy of the Japanese people has been devoted to rebuilding the country, which had been utterly destroyed. This objective has in large measure been successfully achieved.

Japan's post-war pacifism has meant a resolute denial of military supremacy and external expansionism and consequently, a firm belief in the doctrine of "exclusive self-defense" and the three non-nuclear principles, namely not possessing, manufacturing, or allowing stationing of nuclear arms. Such pacifist feeling, deeply rooted in the massive tragedies in Hiroshima and Nagasaki in August 1945, has led to a romantic reliance on the United Nations as a new pillar for national security. It is significant that the US-Japanese Security Treaty contends (Article 10) that the treaty will remain in effect until the United Nations becomes capable of maintaining international peace and security in the area of Japan. Of course, that day will not come in the foreseeable future and certainly not in our lifetimes. Unlike the Korean people, the Japanese have been shielded from the Cold War and therefore have been unconcerned about the need for military security and have thought that their security could be left in the hands of the American government. The people in general were passive and even timid in foreign policy areas other than in economic matters, which of course affected their pocket books.

Serious economic depression in Japan in the mid-1990's created an inward-looking outlook in Japan, and the phenomenal rise of China in the last decade has led to a sense of admiration, mixed with envy and concern over the prospect of a rising non-democratic power with a galloping military budget, much of which is still shrouded in mystery. There has also been a sense of frustration in Japan over the United Nations, in which Japan's financial contribution amounts to 19.5 percent of the entire regular budget as well as the peace-keeping budget, which is larger than the combined contributions of the United Kingdom, France, China and Russia, without Japan having a voice in the

decision-making of the Security Council.

Many Japanese feel that the country has to strengthen its alliance with the United States in order to cope with uncertainties in Asia, particularly the crisis over North Korea or over the straits of Taiwan. At the same time, the United State is perceived by some Japanese as the predominant power on earth that flexes its muscles a bit too much and at times is insensitive to civilian lives and smaller countries. After the tragedy of September 11 in New York and Washington, there was an outpouring of sympathy and solidarity with the American people, and the desire exists today to share the burden with Washington in fighting the threat of terrorism. But the proclivity of neo-conservatives in the United States government for unilateral action and its preference for military measures in coping with the instability of the post-Cold War period is seen as somewhat simplistic and not always appropriate in addressing complex causes of conflict. The failure of the NPT review conference held in New York last month to come to any conclusion is partly attributed to the attitude of hard-liners in Washington who favor the "coalition of the willing" over a painstaking build-up of multilateral institutions through the United Nations.

The Japanese consider that they have no other alternative than to work for coexistence and cooperation with the emerging power of China as well as with the Republic of Korea. A friendly Korea is felt to be deeply satisfying. A prosperous China is deemed to be better than a confrontational Middle Kingdom. At the same time, the Japanese tend to be irritated over the habit of some of its neighbors of lecturing on the war-time responsibility of Japan, despite Japanese apologies offered on many occasions, including Prime Minister Koizumi's statement at the recent 50th anniversary of the Bandung Conference. I am well aware that the Korean and Chinese people are concerned about Japan's history education. I completely agree that more efforts should be made by Japan in this matter so as to enable us all to face our common future with more confidence and mutual trust. In my view, Japan should be more forthcoming in school teachings of its modern history. Our young generation should become more conscious of the mistakes made by their forefathers. But the teaching of history and the use of particular textbooks is a sensitive matter that touches on the core of

national culture and democratic structure. Therefore, my thinking is that it is best to leave it to the respective Japanese local educational commissions to debate and decide on the textbooks of their choice for children in their districts. There are no nationwide textbooks in Japan.

It is remarkable that a few years ago, the Japanese emperor made references to the Korean blood in his ancestry, thus emphasizing our basic kinship. These efforts, together with current negotiations on concluding a free trade agreement, should continue so that we can experience our dynamic future together on the basis of a firm, mutually-shared understanding of our past.

Since the World Cup games were jointly hosted by our two countries in 2002, there has been a sea change in the Japanese attitude toward South Korea. Many Japanese women consider Korean men preferable to Japanese men, owing to the great popularity of romantic Korean films today. Japanese men, including myself, are not very happy with this phenomenon today!

Looking at East Asia as a whole, we are witnessing the positive development of regional cooperation, exemplified by ASEAN + 3 and the ASEAN Regional Forum. In December, our leaders will meet in Malaysia to establish an East Asian community, a bold move for our region, known for its slow and over-cautious steps. It is to be remembered that regional cooperation is an activity recognized and accepted by the UN Charter in Chapter VIII as complementary to the universal efforts of the UN itself.

While these trends are healthy for our region as a whole, it is a matter of grave concern that Northeast Asia is still saddled with the negative legacies of the Cold War era, such as the division of the Korean Peninsula and the existence of Taiwan as a separate entity across the straits from mainland China. The large concentration of troops and arms in our region, which continue to be modernized and reinforced, could disrupt international peace and security, and put a sudden stop to our dynamic economies. We have to do everything possible to guard against a military conflict or flare-up as a result of miscalculation or a simple accident.

Under the positive signs of robust security dialogues of all kinds, it is hoped that the economies of our region will move towards greater

interchange, based on the shared interests of all. Free trade agreements being negotiated among more and more countries in the region as well as other comprehensive partnership agreements should bring about prosperity for all and enable our countries to reach a degree of prosperity undreamed of in the past.

Japan has been hesitant in reacting and adjusting to these exciting new challenges because of its built-in internal constraints, people's conservative tendency and the lack of leadership. The Japanese, however, have at long last come to realize that there is no other choice for the countries of East Asia than to opt for a more open, globalized and competitive economy where change becomes an accepted mode of existence. Free economic interaction will bring about a change in the concept of security itself -a change from the traditional balance of power based on the existence of distinct nation-states to the notion of cooperative security, based on enlightened national interests and shared human security.

In the end, changes in economic, financial and cultural modes of behavior should result in the transformation of our basic ways of looking at each other as well as our self-recognition and identity. We should aim at the fulfillment of each and every individual, irrespective of nationality, race, religion and gender. We must accept both the dignity of the human person and the independence of each country, while recognizing our mutual interdependence in ever-expanding areas of our lives. While stereotypes are very convenient to us, let us refrain from characterizing our neighboring countries as simplified or deformed caricatures.

The challenge of Northeast Asia is that it faces greater danger of explosion than probably anywhere else in the world. At the same time, it has the potential for unprecedented growth in all the countries. I submit that dangers can be overcome and opportunities realized only through our common vision, cool judgment and collective determination. Let us choose wisely so that our future will be marked by greater security and a better life for all.

Russian Foreign Policy and the Asia-Pacific Region

Nicholai Spasskiy

Dear Mr. Chairman,
Dear participants of the forum,

The Asia-Pacific region is one of the most important in Russian foreign policy. There are a number of explanations for this.

One cannot but notice the growing importance of the Asia-Pacific region (APR) in world politics and economics. APR today is a most dynamically developing world zone that contains enormous opportunities for cooperation, above all, economic cooperation.

But as it often happens, such a turbulent development goes hand in hand with the aggravation of "old" and "new" security challenges, including terrorism, organized crime and the proliferations of weapons of mass destruction. These challenges must be properly met in a multilateral way. Otherwise, answers would not work. Russia is ready to participate in this joint endeavor.

Russia is not only global and European but also an Asia-Pacific power. More than two-thirds of our territory lies in Asia. For many centuries, we participated most actively in Asian affairs. Russia's strategic policy of developing Siberia and the Far East, which goes

back to the 16th century, is motivated not only by our internal social and economic development logic but also by our willingness to participate more fully in mutually beneficial exchanges with our APR neighbors.

Testimonies to this Russian strategic line are numerous. One is the construction of the China-Eastern Railway, perhaps the most colossal economic undertaking of the early 20th century, and 70 years later, of the parallel Baikal-Amur Railway. It is the development of a powerful icebreaking fleet to keep open the Northeast Passage. It is the contribution of Russian seafarers to the study of the Pacific Ocean and adjacent seas, which is forever printed on geographic maps. These are the examples from the past.

Speaking about the present, one should note the energy projects of Sakhalin-1 and Sakhalin-2, which envisage aggregate capital investments of \$22 billion. Another big project is the construction of the state-of-the-art liquefied natural gas (LNG) production plant on the island of Sakhalin in 2007, which will cost \$10 billion and produce 9.6 million tons of LNG annually. Yet another undertaking, which opens really fantastic prospects, is the construction of the "Taishet-Pacific Ocean" oil pipeline system. It will be 4,180 km long and have a transfer capacity of up to 80 million tons of oil annually. The list goes on.

It is no wonder therefore that Russia, taking into account its geography, history, socioeconomic priorities and, not to be forgotten, mentality and public mood, considers itself to be an integrant part of the APR. In line with this philosophy, Russia, especially in the last decade, has consistently pursued a policy of cooperation with existing Asian integration associations.

It is not surprising that we attach particular importance to developing relations with the Association of Southeast Asian Nations (ASEAN). This organization is a harbinger and nucleus of integration processes in the APR and an influential factor of world politics.

Russia became ASEAN's dialogue partner in 1996. In November 2004 during the ASEAN summit in Vientiane, Russia officially adhered to one of the basic regional legal instruments - the 1976 Treaty of Amity and Cooperation in Southeast Asia.

The Russian foreign minister takes part annually in ASEAN's

post-ministerial conferences with dialogue partners in the "10+10" and "10+1" formats. Regular meetings of senior officials on political issues at the level of deputy foreign ministers are being held, and the joint committee of Russia-ASEAN cooperation is functioning. It is the principal working instrument of dialogue. Two working groups, on scientific-technical and commercial-economic cooperation, have been established.

It is noteworthy that Russia-ASEAN interaction lately has been increasingly channeled to deal with the region's real problems. Russia has become one of the founders and an active participant in the ASEAN Regional Forum (ARF) on security issues. Russia co-chaired ARF intersessional meetings on preemption and removal of emergencies (1998-2000) and on countering terrorism and transborder crime (2003-2004). A Joint Russia-ASEAN Declaration on cooperation in counterterrorism was signed in Jakarta in July 2004.

Now the preparation is underway for the first Russia-ASEAN summit, which will be convened in connection with the 11th ASEAN summit in Kuala Lumpur in December 2005. The understanding has been reached that the meeting will be focused on intensifying practical Russia-ASEAN interactions in dealing with new challenges and promoting concrete projects of economic cooperation. We hope the first Russia-ASEAN summit will give a new start to our cooperation. We are already working hard in making the summit substantive. We believe it makes sense to elaborate a political statement of Russian and ASEAN leaders, which would reflect the common ground of our approaches toward key global and regional problems.

It is very important that in making Russia-ASEAN interactions more profound we do not limit ourselves to these traditional formats. The fundamental importance we attach to strengthening the Shanghai Cooperation Organization (SCO) is well known. We are convinced that the organization has enormous potential.

Strictly speaking, the Shanghai organization geographically exceeds the Asia-Pacific region proper. It would not be wise, however, to ignore the organization's powerful resources or the fact that two members of the SCO - Russia and China - are Pacific powers. That is why we support the institutionalization of the SCO-ASEAN cooperation.

The signing of the memorandum of understanding between the Shanghai Cooperation Organization Secretariat and the ASEAN Secretariat in Jakarta last April was the first step in this direction. The declaration adopted by the Shanghai organization's summit in June 2004 contains most interesting ideas concerning further possible steps. It highlights the issue of setting up partnership networks of multilateral associations in the APR, providing for exchanges and contacts between them and, in the long run, interfacing them on the computer network analogy.

As is evident, the Russia-ASEAN relations are well founded. For us, ASEAN is a special but not the only partner in ensuring security in the APR. Russia is seeking to build up contacts and cooperation with all organizations that show reciprocity.

Thus, Russia joined the Asian Cooperation Dialogue (ACD) last April. In line with the Islamabad Declaration and the Islamabad Initiative adopted at the latest ACD ministerial meeting, we are ready to actively participate in economic projects in the framework of the dialogue. Particularly, as the initial step, we intend to take part in the ACD Energy Forum set to be held later this year.

We have demonstrated our interest in joining the Asia-Europe Meetings (ASEM) mechanism and the emerging East Asia Community, whose first summit is to be held in Kuala Lumpur in December 2005.

An important part of Russian policy in the APR is participation in the activities of the Asia-Pacific Economic Cooperation (APEC) Forum, which we joined in 1998.

Russian President Vladimir Putin wrote the following in the article published in the Wall Street Journal in October 2003: "It is natural that we seek to use our membership in the APEC to actively dock the Russian East's potential to the economic integration mechanism already functioning within the forum. Based on sound pragmatism, we try, on the one hand, to take a greater role in solving tasks that the APR faces, and, on the other hand, to activate regional multilateral cooperation in the interests of developing Siberia and the Russian Far East."

It is our understanding that Russia, with its great potential in Asia, especially in such spheres as energy and communications, can make a sound input in solving the prime tasks of the APR as it adapts to the

age of globalization. One of the problems, which requires immediate action, is to secure an uninterrupted supply of energy resources to the APR. Russia, as a leading supplier of energy resources, is ready to work along with other countries to solve this issue. We have tabled our proposal to form a new energy configuration in the APR, and first of all, in East Asia.

Transition to such a new configuration would allow the consumers of energy resources in the APR to diversify the supplies of energy and to ensure their security. The main idea behind this scheme is to widen the oil and gas pipeline network from the eastern regions of Russia and also to arrange supplies of LNG from there by ships. This issue has been already discussed at the bilateral level. It seems that it is time to switch these talks into a multilateral context. The APEC is an ideal forum for this.

Also under consideration is our initiative regarding the start of the APEC dialogue on non-ferrous metals. The first reaction here was a positive one.

Simultaneously with the joint work in the economic sphere, Russia stands for increasing APEC activity in finding answers to the "new" challenges. Most important in this respect is to intensify counter-terrorist cooperation. It will be futile to sustain the existing dynamic growth rates of social and economic development in the APR under the Damocles' sword of terrorism.

Particularly, taking into account the specifics of the APR, we speak of cutting the financial feeding channels of terrorism and providing security to trade and transportation routes, as well as information systems. Prevention measures should provide for stabilizing safety cushions in political, financial and economic, intelligence and military spheres.

In the context of adapting the APEC to the realities of the 21st century, we support putting into the agenda such tasks as anticorruption, reaction to natural and manmade disasters, control over the transfer and proliferation of MANPADS, increasing information exchange on security issues related to maritime transport, and cultural cooperation.

As a prime task, we consider the necessity of a flexible and operative response. For example, as one of the new topics to discuss at the sum-

mit of APEC in Busan in November this year, we propose disaster management cooperation in light of the December tsunami in South and Southeast Asia.

In this connection I would like to mention that Russia is engaged very actively in the international efforts to overcome the consequences of this horrible disaster. As early as the day following that tragedy, the aircrafts and specialists of the Ministry of Russian Federation for Civil Defense, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM) were at the site. The initial Russian contribution for dealing with the aftermath was over US\$30 million.

We supported the UN General Secretary's initiative to establish a Disaster Global Early Warning System, as well as the US proposal to develop under its auspices the Global Earth Observation System of Systems (GEOSS), on the basis of the existing tsunami warning system in the Pacific Ocean, which operates within the UNESCO Intergovernmental Geographical Commission.

A powerful national crisis management center is being created based on EMERCOM, which will be capable of operating simultaneously on two or three emergencies and will be linked to the operation room of the UN Office for the Coordination of Humanitarian Affairs.

To repeat, integration into the ongoing APR processes of deepening political, economic, cultural and other cooperation is our historic fate. With this in mind, we participate in the existing interaction structures, initiate the establishment of novel instruments, such as the consultative mechanism of Russia, China and India, and approach Asian deliberations in the UN Security Council and the G8.

APR security and cooperation issues are always present in the agenda of our bilateral talks with our partners, and not only those located in the area. A telling example is our dialogue with the United States, which is both an Atlantic and Pacific power.

Russia invariably chooses an open and honest approach while participating in various consultation and interaction mechanisms of different geometry. We do not talk behind anyone's back. We do not create closed alliances against anybody. We are far from being interested in squeezing somebody out of the APR. Our concept of the APR's future is aimed at the widest possible cooperation with due account of

mutual interests.

It is extremely difficult to fine-tune such cooperation in a complicated and complex environment like the APR, which is overloaded with old ills inherited from the past, including the most painful territorial ones, and is suspicious of "new" challenges. Political will, patience and new ideas are needed.

That is why we welcome the activity of informal dialogue mechanisms such as the Jeju Peace Forum in the discussion of security and cooperation issues in the APR. Such forums make an invaluable contribution to filling the initiatives and ideas bank for politicians and diplomats to work over.

Thank you.

PART IV

Building Security Community in NEA: Institutionalizing

Multilateral Security Cooperation in Northeast Asia

The Six-Party Talks

Russia and Multilateral Security Cooperation in Northeast Asia

The North Korea Issue and Japan's Approach to Multilateral Cooperation

China and Northeast Asian Regional Security Cooperation

Multilateral Security Cooperation in Northeast Asia: An ROK Perspective

Won-soo Kim

Excellencies and distinguished participants,
Ladies and gentlemen,
Let me start by expressing my deep appreciation to the organizers of this forum for the excellent arrangements made for this event as well as to the people of Jeju Island for the warm hospitality they have extended.

I. Overall Security Picture in the Northeast Asian Region

Since the Second Jeju Peace Forum was held two years ago, there have been many developments, both positive and negative, in the Northeast Asian region. On the positive side, economic vitality and dynamism have largely been maintained throughout the region. In tandem, there has been a steady rise in intra-regional interdependence in terms of the movement of people and goods. The major power relations in the region remain relatively stable, despite occasional ups and downs in bilateral relations.

On the negative side, however, the legacies of the Cold War and even World War II, as well as the colonial era, still linger in the region, often hindering us from moving forward with a future-oriented approach. Economic growth over a sustained period of time brings the unsavory impact of shifting the distribution of power. This may combine with the rise of nationalism in the region to build pressure for a move away from the status quo in the regional order.

Against this backdrop, the challenge before us is simple and clear. We have to do the best we can to emphasize the positive and prevent negative factors from taking over. But how to do so is a very difficult task that requires the concerted efforts of all partners in the region as well as the support of many friends outside the region. What makes our job more difficult is the lack of a regional mechanism for cooperative security. A look back on history reveals only too clearly that the countries in the region have never been used to a multilateral or plurilateral kind of political order.

II. Two Institutional Approaches to Handling Security Challenges

The Northeast Asian region is now faced with dual security challenges. It has to simultaneously tackle both traditional types of threats and the newly emerging non-traditional kinds of threats, such as terrorism, transnational crimes, environmental hazards and energy shortages. The need for a multilateral security mechanism is therefore greater than ever before. But the conditions for such a mechanism do not seem to be ripe, and laying firm roots for such an initiative is something that is likely to take time. Closing the gap between this need and the prerequisite conditions is a process that cannot be completed overnight. And yet we cannot sit idle either.

In dealing with common security challenges, theoretically, two approaches are possible: 1) tackling the most difficult challenge first; or 2) adopting a gradual approach starting from the easier issues. Countries in this region are now in the process of trying both approaches. The six-party talks process was launched two years ago in an effort to

seek a diplomatic solution to the North Korean nuclear issue, which is the most pressing security challenge facing the region and beyond. On a different track, the Northeast Asia Cooperation Dialogue (NEACD) has been holding meetings at the 1.5 (one point five) level over the past 10 years, bringing together the same six parties in the region. Government officials also participate but in their personal capacity, and its agenda is loosely structured, so as to allow for an informal and free-wheeling sort of discussion among people from both the government and private sectors.

Nobody can know for sure which of the two approaches will be the first to bear fruit. But I believe both are worthwhile experiments. I also believe it is better to attempt both simultaneously rather than sequentially. It is true that the six-party process has, at the moment, a single focus. But it is also the case that, if the process successfully manages to produce a negotiated settlement to the nuclear issue, it will surely create positive momentum for broader security cooperation, with spillover into many other issues. It is undeniable that a 1.5 track dialogue like the NEACD will take considerable time to develop into a track 1 mechanism. But it is also the case that a 1.5 track format would be more favorable for the nurturing of a habit of security dialogue. In this regard, it should be noted that, on the margins of this year's NEACD meeting held in Seoul last April, for the first time participants from foreign ministries had a separate meeting on issues of common interest. This may sound like a small step, but I think it is a positive step forward toward the emergence of a governmental cooperative security mechanism in the region.

III. North Korean Nuclear Issue

I would now like to turn to the North Korean nuclear issue. Since we are now standing at a critical juncture, it would be remiss if I did not touch on this issue.

Almost a year has passed since the last round of the six-party talks was held. Given the urgency of the matter, the parties concerned are now redoubling their common efforts to revive the process. Among

others, Korea will have a summit meeting with the U.S. tomorrow to be followed by another with Japan in less than 10 days.

Hence, we are facing two immediate tasks. From a procedural perspective, the most immediate task is to get North Korea back to the negotiating table. This will ultimately be North Korea's choice, but one does not have to be overly pessimistic. We do hope, like all other parties, that North Korea will return to the talks without further delay. If North Korea wishes to argue for something, they can and should do so at the negotiating table. It is not an appropriate approach to put forward conditions before the negotiations take place. North Korea needs to fully understand that any format of negotiations with any of the parties, including bilateral dialogue with the US, will be possible within the framework of the six-party talks.

The second consideration is a substantive one. The resumption of the talks cannot be a goal in itself. Once the talks do resume, all the parties should strive to produce substantial results. This substantial progress will be crucial in sustaining the momentum for a peaceful and diplomatic resolution to the North Korean nuclear issue.

On a similar note, the vice-ministerial inter-Korean meeting held last month was an encouraging sign. Inter-Korean dialogue had been suspended for approximately the same period as the six-party talks, although the two processes have never been linked. The revived inter-Korean process, I believe, will contribute not only to promoting inter-Korean reconciliation but also to realizing the common goal of a peaceful and denuclearized Korean Peninsula.

IV. Korea's Role in Northeast Asia

Having commented on the nuclear issue, I would like to move on to a larger issue regarding what Korea can do in this region. The Republic of Korea is the 11th largest economy in the world, and now it is a power to be reckoned with in many aspects, including soft power. In international relations, however, what matters more is the power analysis relative to others. Here one can easily find that Korea is surrounded by four of the biggest powers in the world. Yet one cannot

deny, either, that there is much Korea can and should do.

In this regard, I wish to point out the geopolitical realities facing Korea and how these are now working to its advantage.

The first reality facing Korea stems from its geographical location and past history. All the four powers surrounding the Korean Peninsula have been bigger and more powerful than Korea. They have also held great stakes in and around the Korean Peninsula. From the historical perspective, Korea was the first victim of the changing power distribution among her neighbors and the ensuing regional rivalries. Conversely, Korea was never in a position to initiate a shift in the status quo in the regional order.

These realities often run the risk of falling into the trap of self-defeating determinism. The Korean people have demonstrated their resilience in adapting to the changing tides of times and are now equipped with the capacity to turn geopolitical challenges into historical opportunities. I believe the time has come for Korea to capitalize on these realities to play a proactive role to promote peace and prosperity in the region.

Firstly, Korea can take advantage of her geographical location. When the countries in the region seek confrontation, Korea is the first to suffer. But when the nations of Northeast Asia seek peace and prosperity together, Korea plays an indispensable role as a bridge connecting continental Asia and the Pacific Ocean. Conditions for this role have ripened with the exception only of the persisting division on the peninsula. But historic opportunities are emerging as inter-Korean reconciliation is moving forward in parallel with the efforts for the diplomatic resolution of the North Korean nuclear issue.

The second advantage for Korea is rather paradoxical as seen from the underlying power distribution. Since it stands as a middle power located in between the two big neighbors, Korea is now in a unique position to be able to take an initiative to promote a trilateral cooperative relationship among Korea, Japan and China. An initiative by the ROK would be easier to accept for her bigger neighbors than the same initiative offered by either neighbor. In such a scenario, the other side would be more cautious out of concern over possible hidden motives. I would call this an advantage of a small player. Here one may draw an

analogy with what ASEAN countries have been doing to promote cooperation in East Asia by taking the initiative of inviting their bigger neighbors to the margins of ASEAN meetings and nurturing them into a more institutionalized mechanism.

Thirdly, Korea can enjoy the strength of its experience of rapid economic and political development over the past several decades. It successfully managed the transition to a politically pluralistic society with a sound market economic system. In this respect, Korea is in an advantageous position to easily connect with both the advanced and developing countries. I would call this a plus point of being a late bloomer. Korea has the moral high ground as a success story for the emergence from an unfavorable environment to advance the dissemination of democratic and market economic values. This will add significant soft power to Korea.

Taking the above three benefits, Korea can play a proactive role as a force for peace and prosperity in the region. No one would doubt the sincerity of Korea's peace-loving aspirations. No one would doubt either that Korea's role would not be effective without the support of the alliance relationship with the U.S. One lesson we have learned from the European experience is that a multilateral security endeavor is not possible without the backing of an effective alliance system to ensure the deterrence of military conflicts. In this regard, I am happy to report that the coming summit between Korea and the U.S. will serve as an occasion to reconfirm the importance of strengthening the bilateral alliance as we work toward the shared goal of forming a more dynamic and comprehensive partnership. The Korea-US alliance has worked well to our mutual benefit for the past five decades, and I am sure that it will continue to do so for the next five decades thanks to the joint efforts we are making.

V. Concluding Remarks

Ladies and Gentlemen,

I would like to conclude by expressing my gratitude to you all, friends of Korea, for your steadfast support for peace and prosperity

on the Korean Peninsula.

We know that the road ahead will not be smooth. Our journey will require a great deal of patience and persistence, since we will encounter a number of bumps before we reach our destination. But I am sure that we will ultimately be able to arrive safely thanks to the help and encouragement you offer along the way.

I thank you for your kind attention.

The Six-Party Talks: Opportunity or Obstacle?

James Goodby

I. The Argument

The long-term goal of the United States and of the nations of Northeast Asia should be the development of a security community. As defined by the American scholar, Karl Deutsch, a security community is a system of nations within which there is real confidence that force will not be used as a way of settling disputes in their mutual relations. A security community thus defined is not unlike Kant's federation of peace except that Kant placed more reliance on shared democratic value systems. That condition may not exist in Northeast Asia for decades.

An institutionalized method of acting together is useful in the development of a security community, because it instills habits of cooperation. In Northeast Asia, cooperative actions should take place across a broad front to promote regional security and cooperation. Long-term geopolitical trends argue for this, as do shorter-term considerations arising out of the current nuclear crisis in North Korea.

If and when a multilateral mechanism is created to promote security and cooperation, it should eventually include, at least, China, Japan,

North and South Korea, Russia and the United States. Its tasks would be to:

- promote the peaceful resolution of disputes
- resolve misunderstandings and prevent miscalculations
- encourage transparency in the mutual relations of the member states
- enhance regional economic cooperation within the larger framework of the global economy
- raise the living standards of all the people living in the area to the levels of the most advanced nations
- promote the free movement of people, information, and ideas among their nations
- foster an improved mutual understanding of each other's histories and cultures

New organizations do not arise spontaneously. Someone in a leadership position has to decide that a problem or a challenge can best be handled with the aid of an international organization. An opportunity may now be at hand to begin building a multilateral structure since relationships among nations are more fluid than in the recent past. The peace and security of Northeast Asia will depend on whether this opportunity is seized.

The best solution would be to expand the six-party talks to broader subjects after an early and successful resolution of the nuclear issue. But those talks have not prospered and as things stand now, a resolution of the Korean nuclear predicament stands in the way of any expeditious building of a security community. The nuclear issue is urgent and a failure to resolve it would have very serious consequences, not only in Northeast Asia, but globally. No artificially-imposed delay should be allowed to disrupt whatever progress may still be possible in the six-party talks. But it is equally clear that the five nations that have tried to persuade North Korea to roll back its nuclear weapons program would benefit greatly from cooperating together in a systematic way on a wide variety of issues, with or without North Korea. They have not been inclined to do so prior to solving the North Korean

issue — and there are good arguments for that position. But if they fail, a nuclear-armed North Korea may, perversely, be a polarizing rather than a unifying force among them. In any case, to allow North Korea a veto over constructive cooperation among the five nations is not even in North Korea's interests, not to mention their own. And thus the five should consider the possibility of creating an organizational structure in parallel with the six-party talks, dedicated to promoting peace and security in the region. The five parties should be prepared to proceed without North Korea although that might prove not to be necessary.

Whether or not a new organizational structure can be created, cooperative actions should include a network of "a la carte" programs in Northeast Asia, some of which already exist. These should proceed without delay and should include transport and energy infrastructure development. A multilateral overlay, perhaps in the form of a coordinating committee, would be a useful reminder of the long-term goal. Jean Monnet's vision of a united Europe, after all, not just economic efficiency, inspired the creation of the European Coal and Steel Community.

The statecraft of this generation will be judged by whether this moment in time is used to create the basis for an enduring peace in Northeast Asia. The United States, in particular, is in a position to take the lead in this enterprise. Its patterns of relations with all the countries of the region have not been irrevocably shaped by the experience of centuries of history. Its diplomacy works best through steadiness and long-term commitments. And the United States has much to gain from consolidating its presence in Northeast Asia. But this must be a shared effort and much of the energy must come from within the region itself.

II. A Solution in Search of a Problem?

The idea of a regional forum for security and cooperation has been on the list of "things to do" in Northeast Asia for several years. Through its diplomacy, the Republic of Korea, with a remarkable degree of consistency, has kept the idea alive in the face of indifference

and skepticism. From time to time, but unfortunately at different times, officials from Japan, Russia, China, and the United States have spoken favorably about the idea of a Northeast Asia regional forum. Their interest has waxed and waned and no concerted effort has ever been launched to bring the idea to life. With the exception of South Korea, national leaders have invested little time and no political capital in organizing a security community in Northeast Asia. And so today, unlike any other part of the globe, Northeast Asia has no permanent organization dedicated to the promotion of peace and progress in that specific region. It is no coincidence that remnants of the Cold War and attitudes forged in the even more distant days of World War II still shape inter-state relations in Northeast Asia.

Two seminal North-South Korean agreements concluded in 1991-92 might have changed the course of history. One required the Korean Peninsula to be free of nuclear weapons. The other, the "Basic Agreement," provided a blueprint and mechanisms for what might have developed into enduring peace on the peninsula. But the goals laid out in those agreements, tragically for the world, were never realized. And these were not the only failed attempts to rid Northeast Asia of the legacy of the past. Powerful currents of animosity persist in the region and cause the idea of "community" to seem naive and unreal.

The tradition of a dominant nation and an ingrained habit of dealing bilaterally with other nations on really sensitive matters also have worked against proposals to establish a multilateral forum to deal with important issues of security and cooperation. The US-Japan and the US-Republic of Korea security treaties, the twin cornerstones of those nations' security policies in Northeast Asia, responded well to Cold War threats. The United States provided a nuclear umbrella for Japan and South Korea and powerful U.S. air, ground, and naval forces were there to deter any serious military threats. China and Russia were absorbed with other issues and North Korea did not count for much, except when a crisis erupted. All the interesting international action involved relations between the United States, Japan, and the Republic of Korea. The absence of a Japan-Soviet Union peace treaty to end World War II and the failure to replace the 1953 Korean War Armistice Agreement with a permanent settlement did not seem to matter very

much.

On the economic front, for a long time the United States was Japan's number one trading partner. South Korea's trade relations with Japan and the United States were key drivers of that nation's growth. Soviet and later Russian, trade in the region grew very slowly. The economic infrastructure in the region by and large was not a matter of international interest. Transportation networks were mainly national concerns, as were oil and gas pipelines. Asia-wide economic mechanisms, like the Asia-Pacific Economic Cooperation (APEC), served to encourage the opening of markets and free trade.

In this environment, why should national leaders see a need for multinational machinery to help them manage their affairs in the region? The idea of a permanent organization to promote security and cooperation sounded good in principle, but there was no generally perceived need for such a thing and certainly no grass roots demand for it.

III. A Hinge Time

As one looks at Northeast Asia today, the familiar picture does not look so familiar after all. China has reentered the world of Northeast Asia in a big way. China is now Japan's largest trading partner and has assumed diplomatic leadership in searching for an answer to the long-lasting North Korean nuclear crisis, a security issue of major interest to the whole world. Russia's Far East has awakened economically and is doing business with both Japan and China. South Korea has passed through a generational change in its leadership. The global economy is having a major impact on the patterns of relationships. Except for North Korea, the region is well integrated into the global economy.

Today, with the possible exception of the United States, no one nation exercises the clear and unchallenged prerogative of being the dominant power. China aspires to that position but has not yet achieved it. A jockeying for position among the five nations already has begun and balance-of-power politics is becoming a more complex

game. Japan seems to be edging even closer to the United States to balance the growing power of China. South Korea and China have strong differences of view on some things but they share a similar perspective on others, including their sensitivities regarding the management of North Korean issues. Russia is maneuvering to protect its interests vis-a-vis both China and Japan. China is steadily building up its military strength while quietly staking out a more high-profile posture regionally and globally. Tensions rise and fall over the issue of Taiwan, periodically putting China at odds with Japan and the United States.

Is the United States still the mover and shaker in Northeast Asia that it became as early as the 1940s or 50s? Yes, but the "voice from the castle" has diminished in comparison with what it once was even though what it says still carries great weight. Both South Korea and Japan, for example, have obliged the Bush administration by sending troops to Iraq. However, the United States is reducing its military presence in South Korea. It is encouraging Japan to take on additional roles and missions within the US-Japan security alliance. Political and security issues between China and the United States continue to cause frictions while on the crucial economic front, US-China trade and financial problems are multiplying. All three of the major economic powers of Northeast Asia — China, Japan, and South Korea — are talking about diversifying their currency holdings, looking to have relatively fewer dollars in their reserves. All three are thinking about a trade bloc of Asian nations.

IV. Managing International Systems

The scene is somewhat reminiscent of the 19th century, in the sense of a system in which nations that have the capacity to wield great power in one form or another struggle to maximize their freedom of action and hedge against future threats from their neighbors. It recalls Theodore Roosevelt's support for Japan in the early 20th century to block Russian imperial expansion in Asia. The famous, and short-lived, Concert of Europe after the Napoleonic wars was another

answer to how nations accommodate to one another in such a fluid system. Its purpose was to smooth off the rough edges of their relationships and, where possible, to harmonize their policies. England's traditional preference for detachment and power balancing soon put an end to the idea, which required almost constant involvement in the affairs of the Continent. Some have suggested an off-shore power balancing role for the United States but it is not compatible with the American culturally-imposed style of diplomacy.

Another answer in Europe, later in the 19th century, was Bismarck's diplomacy of overlapping alliances and ententes which like the Concert of Europe, required restraint in order to work. As Kissinger and others have pointed out, without a Bismarck to manage this intricate system of relationships, restraint went out the window and World War I ensued. But it was a clear alternative to the English preference for power balancing in that it required engagement on many fronts, as opposed to splendid isolation.

Northeast Asia in the 21st century may not have much to learn from the experiences of other times and other places. History and geography and culture create unique circumstances within which nations develop and act. But so long as nation-states are the basic building blocks of the international system the behavior of these units within that system is not likely to be radically dissimilar. History suggests that autonomous behavior by powerful nations—behavior that ignores the interests of others—sooner or later leads to disaster. The corollary of this lesson is that some mechanism has to be found, be it implicit or explicit, to allow for policy accommodations and for self-imposed restraint within a system of nations. To fail to do so is to make a collision almost inevitable.

Three nations linked by security treaties — Japan, South Korea and the United States — have created a trilateral mechanism for security policy coordination within a limited scope, that of coordinating policy on North Korea. Only on one issue, North Korea's nuclear programs, do all of the six nations engaged in those talks join together in an attempt to work out common policies. This arm's-length attitude perpetuates national rivalries and reinforces adversarial relationships. This is a time for inclusiveness and engagement, rather than exclusive-

ness and detachment, if the nations are to gain some control over a rapidly changing system.

The security mechanisms created during the Cold War do not need to be scrapped. They need to be augmented by broader mechanisms that include rather than divide. They need to be supplemented by all kinds of interlocking bilateral and multilateral inter-state and non-state arrangements. Otherwise, the security structure that served the cause of peace so well during the Cold War could turn into an instrument of division and dispute. Security should be one element of a comprehensive program of cooperation but other elements of national well-being, like the economy and the full realization of each person's potential also should be included. A security community, after all, is a community in which internal security concerns have been alleviated and the community is free to deal with other issues that enrich human life.

V. Resolving the North Korean Nuclear Issue

If a strategic vision like this is not convincing enough to political leaders who face elections in the here and now, let them consider the case for multilateral cooperation to resolve the long-running nuclear crisis in North Korea. The six-party talks have failed, so far, to solve the problem. Blame can be assigned to various parties, certainly to North Korea, but it is possible that the framework for negotiation has been too constrained to meet the challenge. Twice before, in 1991 and 1994, agreements have been reached which were designed to denuclearize the Korean Peninsula. The first, already cited above, was between North and South Korea, the second, the Agreed Framework, was between North Korea and the United States. Both were supposed to lead to a process of gradually improving relations between North Korea and its negotiating partners. This hope was not fulfilled. With the detachment that history will ultimately provide, it may be concluded that the parties failed to invest the agreements with the political support necessary to withstand the pressures such agreements inevitably face. Or it may be said that the scope of those negotiations and the initial implementation processes were not broad enough to

provide a safety net when one element failed. What is known now is that the North-South agreement failed to realize its potential, which is why another nuclear negotiation began just a few years later. The result of that negotiation, the Agreed Framework, yielded a freeze on North Korea's plutonium program which lasted for eight years, a significant accomplishment, but then it too collapsed.

North Korea may have been simply trying to buy time with these agreements so that its progress toward acquiring a nuclear arsenal would be unimpeded. If so, a gradually improving relationship with the rest of the world, except on their own terms, may never have been part of the game plan of Kim Il-sung and Kim Jong-il. But if there is even a slim chance that Kim Jong-il might come to believe that the survival of his regime would be better served by giving up his nuclear weapons program than by keeping it, that chance should be seized. If this scenario has any merit to it, the lessons of the past suggest that a settlement of the outstanding issues on the Korean Peninsula and assurances regarding the relations between North Korea and the great powers will be necessary underpinnings of a denuclearization agreement. If that assumption is proven wrong, because Kim Jong-il is determined to have nuclear weapons whatever the cost, the experience of five of the parties to the negotiations should at least convince them of the necessity of working together.

A multilateral forum, which would allow for talks in various configurations ("variable geometry," as it is often called) is required because a comprehensive settlement of issues left over from the Korean War (1950-53) will require the participation of all of North Korea's neighbors, plus the United States, in one way or another. All will be needed for security assurances; all will be required in differing ways for economic cooperation, of which energy and transport cooperation would be major components, along with freer trade. A peace treaty to end the Korean War would involve fewer nations, just North and South Korea and the United States.

Whether a multilateral forum that might consider issues other than a Korean peace treaty would negotiate a comprehensive treaty or a politically binding accord, or whether it would proceed by parallel, reciprocal moves without a formal agreement, or all of the above, is

not relevant to this discussion. Nor is the question of whether the current six-party talks would segue into the comprehensive negotiations advocated here, or whether a new forum should be created. The basic point is that a conclusive end to the nuclear issue on the Korean Peninsula is likely to be achieved only within the framework of a multilateral forum, which would have the scope to deal with a very broad agenda simultaneously, or very nearly so.

Whether one looks to long-term geopolitical trends or to short-term needs to end the perpetual crisis in North Korea, a multilateral forum of broad scope is part of the solution. But could a Korea-focused forum become permanent or assume broader functions beyond those required to resolve the current issues? If it works, and if current geopolitical trends persist, the need for a permanent organization with broader functions will likely become self-evident, and the six-party formula has many advantages as the launch pad for the effort, as will be discussed under "Alternative Paths to a Permanent Northeast Asian Security and Cooperation Organization."

VI. What about Other International Organizations?

Several international organizations already have functioned in Asia for several years. None of these mechanisms is suitable for the kinds of tasks that a permanent multilateral mechanism focused on Northeast Asia should undertake. But other organizations can provide lessons regarding the creation of a new regional multilateral mechanism. Appendix 1 provides background information regarding the Korean Peninsula Energy Development Organization (KEDO); Asia-Pacific Economic Cooperation (APEC); Association of Southeast Asian Nations (ASEAN); the ASEAN Regional Forum (ARF); ASEAN+3; the Shanghai Cooperation Organization (SCO); and the Organization for Security and Cooperation in Europe (OSCE). A few comments are in order here:

The experience of KEDO suggests that a similar organization, or perhaps KEDO itself in an adapted form, could oversee and enhance multinational cooperation in Northeast Asia on fairly technical and

complex subjects. As the operating arm of a political-level organization, it could coordinate the implementation of economic infrastructure projects, for example. An interesting feature of KEDO is that it is open to membership by nations and other entities outside the Asia-Pacific region. In the economic sphere, this might be a useful way to associate the European Union with projects in Northeast Asia. Rail lines between Europe and Northeast Asia are excellent examples of projects that would benefit Asian as well as European nations.

The ASEAN model resembles the kind of structure that might be established in Northeast Asia. It is based on a Treaty of Amity and Cooperation and the nations of Southeast Asia form its core group. The ASEAN Regional Forum (ARF) includes many other nations and it is empowered to discuss security issues. Its strengths, however, are more in the arena of building connections and airing ideas, rather than concrete projects or problem-solving.

The ASEAN+3 forum seems to be gathering momentum and could turn out to be the most influential of the Asia-Pacific international organizations. A series of bilateral free trade agreements are being negotiated within the area covered by ASEAN+3 and the region gradually will become linked in this way, if in no other. In time, the activities of this group might extend beyond the promotion of free trade, and security might become an implicit part of its agenda.

The Organization for Security and Cooperation in Europe (OSCE) also is relevant for the methods and processes used, and to some extent for the specifics of the substantive programs. South Korea and Japan are observers in the OSCE. The OSCE is an example worthy of consideration by anyone contemplating the establishment of an international organization. It was based on:

- an agreement successfully concluded despite very different motivations and interests among the major negotiating partners
- a politically binding accord, not in treaty form, which nevertheless has exercised a significant influence in Euro-Atlantic affairs for thirty years
- procedures that required no permanent organizational support from 1975 to 1990 but was transformed thereafter into a structure

requiring regular high-level meetings and permanent support organizations

- a scope which covered most of the activities in which governments engage but also upheld the rights of citizens of those governments
- specific provisions relating to military confidence-building, economics, and the human dimension which could provide a template for an accord in Northeast Asia

VII. The Mandate: Broad or Narrow?

Circumstances usually dictate whether the mandate for a multilateral organization will be broadly or narrowly focused, whether it should concentrate on one area of international interest or several and whether it should be relatively fixed or capable of expansion. APEC's mandate is limited to economic affairs. ASEAN's is political and economic, with some security issues grafted on to it, and it has shown a capacity for flexibility and expansion. KEDO is primarily an implementation oversight organization with a fixed mandate. No expansion was envisaged. The Shanghai Cooperation Organization started out with a narrow focus on military confidence-building and then expanded into an essentially open-ended umbrella agreement for all sorts of cooperation. The OSCE started out with a very broad mandate which became more explicit and detailed as time went on, but was faithful to its original scope as defined in the Helsinki Final Act. Of course, when the Cold War ended and the Soviet Union disintegrated, the security part of the agenda became less relevant and those parts relating to the transition from authoritarian to democratic governments became more so.

In the case of Northeast Asia, the case is strong for a broad mandate, similar to the original Helsinki Final Act. Trade, investment, and financial cooperation is a major driver of relations among these countries. ASEAN+3 and APEC already deal with these subjects, of course, but their focus is on reducing barriers to trade within the region. A wide array of other economic issues could benefit from positive cooperation, for example, in the energy and transportation infrastructure in North-

east Asia. Energy, historically a source of friction between countries, could become an agent for encouraging cooperative behavior. Transportation links, particularly railways, would promote regional economic growth.

Other elements of a broad agenda would include security. Quite apart from issues on the Korean Peninsula, there is work to be done in counter-terrorism, anti-proliferation, mutual military transparency, and improved crisis communications. If mutual confidence grew in response to the experience of working together, more sensitive matters could become part of a cooperative security program. These more sensitive areas might include topics like early warning of ballistic missile flights and ballistic missile defense cooperation.

Humanitarian concerns and cultural activities should be included. This would include public health, prevention of drug smuggling, anti-crime programs, family reunification, human rights and cultural and educational exchanges.

Linking all of these activities in a statement of the objectives to be pursued could be accomplished through an agreement like the Helsinki Final Act. An important feature of that should be a renunciation of the use or threat of force in the mutual relations of the member states, a model for which can be found in the CSCE Stockholm Document of 1986, which inaugurated an expanded program of military confidence-building measures in Europe.

VIII. Alternative Paths to a Permanent Northeast Asian Security and Cooperation Organization

To realize the organizational structure of a security community, three general strategies are available:

1. Build on the six-party talks.
2. Create a new structure including all the elements of a broad program of cooperation. The substance of the six-party talks might be incorporated within this new structure.
3. Proceed incrementally, sector by sector, to build through accretion a network of cooperative activities. A coordinating mechanism - a

clearing house, in effect- could be set up in the near future.

Strategy 1. Build on the six-party talks

This approach has the advantage of an agenda already defined: denuclearization of the Korean Peninsula, security assurances and economic programs to assist North Korea in becoming integrated into the regional and global economy. Related to this program is the Korean Peninsula Energy Development Organization (KEDO) which could be adapted to the task of overseeing new agreements on energy cooperation and, perhaps, infrastructure development in Northeast Asia.

A distinction should be made, however, between (1) building on an agreement already reached, perhaps along the lines that were discussed in the six-party talks in June 2004, and (2) building on the procedural framework of the six-party talks to alter the scope or objective of the talks prior to a resolution of the nuclear issue. The former is far preferable because of the time imperative: North Korea's nuclear weapons program is a ticking time bomb in more ways than one. It deserves priority attention. An alternative approach, however, would be to embed the six-party talks in a larger framework by building an economic and humanitarian affairs structure around the present six-party talks. Those talks, as presently constituted, would continue as one of the elements within the larger organization.

In the case of a successful outcome to the six-party talks, the central core of the new organization would be security, probably tied to economic assistance to North Korea, and some requirements for more "normal" diplomatic relations. This base would have the potential for expansion but a multilateral cooperation program exclusively focused on North Korea would be too narrow a basis for promoting peace and economic progress throughout the Northeast Asian region. It would have to be enlarged in the next phase of the talks.

If the six-party talks begin to make progress, it is likely that this route to a permanent institution for security and cooperation in Northeast Asia is the one that would be followed. It would become the path of least resistance. But the six-party talks have not prospered and at some point, the end of the road may be reached. In that event, the par-

ties might decide to discontinue the framework altogether. This would be the most likely outcome if, for example, North Korea began the explosive testing of nuclear weapons.

In the improbable event that all six parties decided to retain the framework, despite everything, at least two methods for transforming the six-party talks into a broader, more comprehensive forum could be imagined. One would be to simply enlarge the agenda so that several major topics are under discussion simultaneously. The other would be to reorganize the structure of the talks so that the six participants would provide themselves with a different charter, one aimed at establishing a framework for security and cooperation in Northeast Asia. Under the conditions just postulated, this is not a likely scenario.

Strategy 2.

Create a new comprehensive organizational structure

This would be the most direct route to a permanent organization for security and cooperation in Northeast Asia, and the most rational. It is also the least likely, even though this was the route followed in establishing other regional organizations. The advantage of constructing the architecture for a Northeast Asian institution in this way is that it would be more balanced in its initial focus than an organization that arose out of the six-party talks. Its agenda would provide for broad economic cooperation among the major powers, rather than one heavily skewed toward North Korea. Its organizational structure could be designed to deal with security, economic cooperation and humanitarian concerns, rather than grafting new appendages onto a structure designed to facilitate a Korean settlement.

This would be the cleanest and most elegant way to go about creating a permanent mechanism for security and cooperation in Northeast Asia. But it would be very difficult to do. First, it could be a distraction from the urgent business of dealing with North Korea's nuclear program. Second, there is not an overwhelming desire among its potential members to create such a structure. Third, China and South Korea appear reluctant to proceed on any wide-scale cooperative program in Northeast Asia if it could be interpreted as freezing out North Korea.

Russia leans that way. This position, if continued, would block any effort to put a program in place that did not include North Korea from the outset.

This last point deserves more reflection: first, to give North Korea a veto over useful regional cooperation in Northeast Asia is not even in North Korea's interest because it retards regional economic development and reduces potential economic aid to North Korea; second, if the states that have interests in Northeast Asia — and that includes members of the European Union — can organize a vigorous program of economic cooperation, North Korea might very well choose to join it; third, China, South Korea and Japan have no reservations about joining ASEAN+3 even though it does not include North Korea (or Russia or the United States), thus isolating Pyongyang from one of the most important potential economic developments underway in Asia.

If at some point, the end of the road in the six-party talks really is reached, the five nations should resolve to establish a regional cooperation without North Korea, leaving the door open for Pyongyang to join it under certain conditions. It would be a sad commentary on their statecraft if paralysis prevented them from cooperating, initially, on a five-party basis.

Strategy 3. The process of accretion

In the absence of real pressure coming from governments for a more direct route to a multilateral mechanism and with a deadlock in the six-party talks, a gradually developing network of cooperative programs is the only way to proceed. There is no need to wait and no need for unanimity. And practical steps in the economic field, for instance, have merit in themselves. Existing examples, admittedly with mixed results, include the UN Development Program's Tumen River Development Program, re-linking of Korean railways, and the Gaesong Industrial Park.

There are potential areas for cooperation where the presence or absence of North Korea as a political entity is not a major factor. These include:

- certain sectors of economic cooperation such as development programs in Siberia, where North Korean labor could contribute
- programs that could enhance transportation and energy cooperation
- cultural programs especially those that encourage closer collaboration in interpreting historical events
- certain security programs might be developed such as cooperative anti-proliferation and counter-terrorism activities

The individual programs could be knitted together into a fabric of regional cooperation under the guidance of a regional steering committee.

There are limits: In the absence of an agreement on North Korea's nuclear programs, the United States, and probably others, would refrain from participating in programs that would provide major benefits to North Korea. In fact, the United States would be likely to try to block such cooperation.

A systematic and coherent policy or at least a compelling vision of the future, is needed if sectoral cooperative efforts, like those cited above, are to grow into a genuine institutional framework to deal with fundamental national interests and objectives.

Unless the nations involved in Northeast Asian affairs come to share a vision that enables all the conceivable programs of cooperation in Northeast Asia to be seen as steps on the way to a larger goal — a community or a concert, for example — the individual programs will be valuable, but not *transformative*. A corrective to this problem would be to organize a multilateral “clearing house” for economic and other programs in Northeast Asia. This could act as a kind of steering committee to promote cooperation and community interest. More significantly, it could remind all the nations of the long-term goal of a security community.

IX. Latent Interest Shines through Skepticism

Unless and until each potential member of a Northeast Asia multi-

lateral mechanism concludes that there are advantages in joining such a body that outweigh any potential disadvantages, no multilateral mechanism will be established. To say that each nation must feel that it would be better off with than without this innovation is not to say that the group as a whole must necessarily have common or shared or even overlapping interests. To illustrate the point: the 35-nation Conference on Security and Cooperation in Europe concluded an accord in Helsinki in 1975 in which the main protagonists, the Soviet Union and the United States, had hardly any shared interests. Each was betting, in effect, that history would vindicate its particular expectations about the long-term results of the agreement. To get something like this started, the only requirement is that each player sees a net advantage.

Present attitudes are roughly as follows:

China. Beijing has shown an interest in the idea of a permanent multilateral organization in Northeast Asia and appears to believe that it must flow from an agreement in the six-party talks. China probably hopes to use such a mechanism to extend its influence and consolidate its role as a major player in all aspects of Northeast Asian affairs. That particular motivation is not an impediment standing in the way of a permanent multilateral mechanism because it is one that other governments would probably share, with respect to their own nation's prospects.

Japan. Tokyo has recently been cool toward a permanent multilateral forum, probably because it suspects why China might have an interest in it. But Japan has supported the idea in the past and has not rejected it even now. If a multilateral mechanism emerged in the context of a six-party deal that rolled back North Korea's nuclear weapons program and if the United States endorsed the idea, Japan very likely would embrace the idea.

China's initial opposition to a seat for Japan on the UN Security Council may soften in time. For now, it should be noted that the creation of a mechanism to deal with security and other issues in Northeast Asia is quite compatible with a UNSC seat for Japan and the two should be mutually reinforcing. The Northeast Asia organization

probably would become a Regional Organization of the United Nations, under Chapter 8 of the UN Charter, and would be the “court of first resort” for that region.

South Korea. The government of South Korea has endorsed the idea of a permanent multilateral organization in Northeast Asia with varying degrees of enthusiasm for over a decade. Its main concern now is that nothing be done to damage whatever limited prospects there may be for a successful conclusion of the six-party talks. South Korea, like China, would not want to be seen as excluding North Korea from a seat at the table. This is consistent, of course with Seoul’s policy of nudging North Korea to moderate or end its isolation.

Russia. Moscow seems to support Seoul and Beijing in thinking that North Korea must be part of a Northeast Asia forum from the beginning, on the grounds that a forum that did not include North Korea would leave one of the major security issues in North Asia unresolved. But Russia can be expected to readily accept a Northeast Asia forum if other parties accept it.

United States. Washington has encouraged the notion that the six-party talks could evolve into a permanent forum. In years past, U.S. administrations have endorsed the idea of a permanent multilateral mechanism in Northeast Asia, but without putting any political muscle behind it. As current policy has been stated, progress toward a multilateral organization to promote peace and cooperation in Northeast Asia is held hostage to the success of the six-party talks. There appears to be some interest in a five-party forum, leaving the door open for North Korea’s membership under certain conditions.

North Korea. Kim Jong-il probably would join in a permanent Northeast Asia multilateral mechanism if his terms were met. These would include security assurances, an end to trade restrictions and energy assistance. Whether he would do so if membership required him to give up his nuclear weapons program is another matter, and this has to be one of the key considerations in the whole enterprise of a

multilateral forum. Although North Korea’s abstention from a multilateral forum would pose serious obstacles to the creation of a multilateral organization, it need not become an absolute barrier.

This survey of national positions shows that the outlook for a permanent multilateral mechanism depends heavily on progress in the six-party talks. But there is a latent interest in each of the nations that, given favorable circumstances, could coalesce to generate enough momentum to push the idea forward. Perhaps China, South Korea and Russia would support some form of multilateral organization if it did not arbitrarily exclude North Korea. Japan apparently is wary of the idea at the moment, but has a history of supporting it. The United States, judging by its publicly-stated positions, would probably join a mechanism like this unless one of its allies strongly objected. If the United States took the lead in creating a security community in Northeast Asia, many things would become possible and Washington ought to have an interest in consolidating its position in Northeast Asia.

X. The Time is Now

The logic of the present situation in Northeast Asia suggests that the foundations for what, in retrospect, was a long period of relative stability in Northeast Asia, are being weakened. Those foundations rested on broadly shared assumptions as well as on military strength. The U.S. military commitment has not weakened, although it is harder to sustain because of Iraqi requirements and changing strategic concepts in Washington. But all the nations, without exception, now see themselves playing new roles on the Northeast Asian stage and so shared assumptions are being questioned and sometimes discarded. Immobility, for better or worse, has given way to a situation which is much more fluid, perhaps more so than at any other time since President Nixon’s “opening to China.” This is a time for governments to shape the environment of the future. Otherwise drift and equivocation will shape it for them, and not to their liking.

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APPENDIX 1 Relevant International Organizations

The Korean Peninsula Energy Development Organization (KEDO)

The Korean Peninsula Energy Development Organization was established on March 9, 1995 by Japan, South Korea and the United States to implement the building of the nuclear reactors and the shipment of heavy oil provided for in the 1994 US-North Korean Agreed Framework. The provisions of that agreement called for the financing and construction of two light-water reactors in North Korea. Five hundred thousand metric tons of heavy fuel oil was to be furnished to North Korea each year pending completion of the first of these reactors. Membership in KEDO was open to other nations and several joined, including the European Union, on condition that they provide funds, goods or services. Russia and China have not become members to date, although both supported the efforts of KEDO. The Agreed Framework broke down late in 2002 after the United States accused North Korea of secretly building a uranium enrichment facility. Despite that, KEDO has remained in business while suspending construction of the reactors and the oil shipments to North Korea.

It is governed by an executive board, with Japan, South Korea, the United States and the EU as members, and is run on a day-to-day basis by a secretariat, headed by an executive director. A general conference of all KEDO members meets once a year. By all accounts, the collabo-

ration worked well and the multilateral management of the energy project has been judged a success. The target date for completion of the first reactor had slipped by the time the Agreed Framework collapsed, but that was caused by factors other than the operations of KEDO.

Asia-Pacific Economic Cooperation (APEC)

Except for North Korea, APEC includes all of the nations that might form a Northeast Asia permanent organization for security and cooperation and many more besides. In fact, there are 21 countries in APEC, which functions to promote economic growth. One of its main tasks is to reduce trade barriers within the region and increase the flow of trade. The mechanism works through the device of goal-setting and periodic meetings at various levels to monitor results. Its work is entirely voluntary and non-binding. There is an APEC secretariat, permanently established, which supports the many committees and working groups.

In principle, APEC could establish a special program to enhance economic cooperation in Northeast Asia. Fitting North Korea into such a program would be difficult, however, since the thrust of APEC since the beginning has been to support free trade among relatively open economies. That Vietnam is now a member proves that a country like North Korea might be able to make the leap from isolation to cooperation in APEC. APEC's mandate does not include security issues.

Association of Southeast Asian Nations (ASEAN)

As its name implies, ASEAN was founded by five Southeast Asian nations: Indonesia, Malaysia, Philippines, Singapore and Thailand. After its creation in 1967, ASEAN expanded between 1984 and 1999 to include Brunei Darussalem, Vietnam, Laos, Myanmar and Cambodia. Its original charter, the ASEAN Declaration, contains a broad agenda for cooperation in economic and security affairs of the region. In February 1976, the heads of government of the five original members signed a Treaty of Amity and Cooperation that endorsed six fundamental principles to guide their mutual relationships:

- mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations
- the right of every State to lead its national existence free from external interference, subversion or coercion
- non-interference in the internal affairs of one another
- settlement of differences or disputes by peaceful manner
- renunciation of the threat or use of force and
- effective cooperation among themselves

ASEAN has a well-defined organizational structure which is guided by decisions of an annual summit meeting, and ad hoc meetings of ministers responsible for several areas of governmental activities and national life. Many committees and working groups provide support for summit and ministerial meetings. A Secretary-General and a secretariat provide day-by-day support and advice.

As will be shown below, additional methods of cooperation were established which bring it even closer to a model that might suit Northeast Asia, or could be adapted to Northeast Asia.

ASEAN Regional Forum (ARF)

In 1994, ASEAN decided to establish the ASEAN Regional Forum to deal with confidence-building, preventive diplomacy and conflict resolution. The forum includes ten “dialogue partners” as well as all the ASEAN member states, plus North Korea, Mongolia and Pakistan. Papua New Guinea is an observer. Thus, the participants are: Australia, Brunei Darussalem, Cambodia, Canada, China, E.U., India, Indonesia, Japan, North and South Korea, Laos, Malaysia, Myanmar, Mongolia, New Zealand, Papua New Guinea, Pakistan, Philippines, Russia, Singapore, Thailand, United States and Vietnam.

ASEAN+3 (APT)

Since 1996, ASEAN has developed a close relationship with three Northeast Asian countries: China, Japan and South Korea. The purpose has been to promote regional economic cooperation. Summit

meetings are held annually and additional meetings at various levels have been organized. APT appears to be headed toward a free trade area in East Asia, and China is leading the effort by negotiating a free trade agreement with ASEAN. This development would move East Asia toward a trading group loosely resembling the North American Free Trade Area. It would not have, of course, the degree of integration of the European Union.

On April 11, 2005, the ASEAN foreign ministers announced that the first East Asian Summit would be held in Kuala Lumpur later in the year. The participants would be the ten ASEAN nations plus China, Japan and South Korea — APT. Others may be invited, although signing ASEAN’s Treaty of Amity and Cooperation might be a precondition. At the same time, the ASEAN foreign ministers decided to appoint a group of eminent persons to draft a charter for ASEAN’s future.

The Shanghai Cooperation Organization (SCO)

Lessons may also be found in the way the Shanghai Cooperation Organization was established. Its origins lay in the desire to build confidence among China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan through troop reductions and transparency in the regions where these countries had common frontiers, primarily in Central Asia. From this beginning, in 1996, the scope and organizational structure expanded so that, in 2001, joined by Uzbekistan, the member states signed the “Declaration of the Shanghai Cooperation Organization,” which contained a kind of code of good behavior among themselves. In 2002, the members signed additional documents that provided the basis for regional cooperation in counter-terrorism and prevention of smuggling of drugs and weapons. A basis was also laid for cooperation in a broad array of national concerns, not unlike the economic and security “baskets” of the CSCE/OSCE. And in another similarity to the OSCE, the member states established regular summit and ministerial meetings, a regional anti-terrorist center and a permanent secretariat located in Beijing. The SCO explicitly is charged with opposing “separatism and extremism,” which may be assumed to be aimed at religious and

ethnic separatist movements in the region of Central Asia. In historical terms, the SCO resembles the Holy Alliance of the European 19th century more than the Concert of Europe of the same era, or the OSCE of contemporary times.

The Organization for Security and Cooperation in Europe (OSCE)

The background to the 1975 Helsinki Final Act of the Conference on Security and Cooperation in Europe would suggest that an accord could never have been reached. The Soviet Union wanted a surrogate peace treaty to perpetuate the division of Europe and of Germany. Consolidating their grip on Central and Eastern Europe was the main motivation of the Soviet leaders. The Western nations rejected the permanent division of Europe and strongly favored freer movement of people, information, and ideas between East and West. Despite these sharp differences, it was possible to reach agreement.

None of the Western powers had an interest in a treaty, even though commitments affecting international security were involved. The Helsinki Final Act was signed by 35 heads of states and governments as a politically binding document. Implementation was monitored by periodic review conferences of the total membership and through bilateral channels. Although implementation was far from perfect, the review conferences exercised pressure on governments to comply. In Eastern Europe, in particular, citizens' groups also pressured their governments to comply.

The CSCE managed to do without an international bureaucracy through the first 15 years of its existence. Meetings were arranged by the governments of host countries. These meetings involved not only major review conferences but also important conferences designed to expand on several areas outlined in general terms in the Helsinki Final Act. In 1990, the Paris Charter for a New Europe created regular inter-governmental meetings at summit and ministerial levels. Thereafter, the CSCE was re-named the Organization for Security and Cooperation in Europe and was endowed with a permanent secretariat and a Forum for Security Cooperation based in Vienna. An Office for

Human Rights and Democratic Institutions (OHRDI) was established in Warsaw. A High Commissioner for National Minorities was created, with headquarters in The Hague.

The CSCE/OSCE was established with a mandate that covered three main areas: security, economic affairs and human rights. The unique feature of the Helsinki Final Act was that it committed governments to accept international accountability for the way they treated their citizens. That idea, fairly novel when it was built into the Helsinki Final Act, has increasingly become accepted in mainstream international common law.

Aside from that, the Helsinki Final Act included ten principles of international behavior similar to those included in ASEAN's Treaty of Amity and Cooperation. The Final Act provided for military confidence-building measures, later expanded substantially to provide enhanced transparency and improved communications among the governments and the military forces of the participating states.

APPENDIX 2

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Russia and Multilateral Security Cooperation in Northeast Asia

Nodari Simonia

The theme of institutionalizing a Northeast Asian regional security system is quite popular today and is being actively discussed at numerous forums of Asia-Pacific (AP) countries in recent years. It's an important indication of the fact that the need to form such a system has already matured. It is realized by political and scientific circles in the region, and considerable transformations have recently occurred in AP countries, which are demanding certain changes in their foreign policy courses. All this requires from us - scholars and politicians - careful analysis of these changes and the influence, positive and negative, these changes may exert on the prospects of developing a Northeast Asian regional security system. It so happened that the year 2000 served as a landmark for considerable changes in the state of affairs of many AP countries. That's why we shall dwell mainly upon the most important events of the last five years.

I. Positive Transformations in Northeast Asian Countries and their Influence on the Formation of a Regional Security System

Undoubtedly, one of the most important worldwide factors conducive to improving the general atmosphere in Northeast Asia was the disappearance of *ideological* confrontation between countries of socialist and capitalist orientation. The given circumstance favored impetuous development of interregional economic interconnections — trade, investments, etc. In other words, it was the process of laying the foundation of a future regional security system, without which it would have been precarious and insecure. The largest role in the process was played by China's impetuous economic growth and its increasing cooperation with South Korea and Japan. In 2004, China only received \$500 billion profit in exports, FDI amounted to \$60 billion, and other capital inflow totaled \$129 billion. According to forecasts, in 2005, current surplus could hit \$100 billion or so, up almost two-thirds from last year. Foreign reserves could reach \$800 billion this year and, at this rate, could top \$1 trillion by 2006. By now China's foreign exchange stockpile is already equal to about 40 percent of gross domestic product and parked mostly in U.S. Treasuries. At the same time, China has an extraordinarily high rate of investment. At more than 40 percent of its GDP, the country's fixed investment is probably the highest ever achieved in a large economy.¹ As a result of all of the above, in 2004, China outstripped Japan in export volume, which grew by 35 percent, having reached \$593.4 billion, and is now third after Germany and the U.S. But even more important is that in the last year and a half, China overtook the U.S. as the main trade partner, first of South Korea and then Japan.² As a result, in Northeast Asia, the largest growth of inter-sub-regional trade is taking place. While in the early 1990s, trade between China, Japan and South Korea amounted to 20 percent of total volume of their summary foreign trade, in 2003, this indicator grew to 30 percent (against 20 percent in

1 *Business Week*, April 4, 2005, pp. 76-77; *Foreign Policy*, Jan./Feb, 2005, p. 51.

2 *Vedomosty*, April 15, 2005.

such a long-integrated region as ASEAN).³ Obviously, from the *economic point of view*, this sub-region, whose joint GDP exceeded \$6 trillion (at the going exchange rate), which is more than 10 times the summary GDP of ASEAN states, seems to have enough grounds to have the goal of an institutional framework. These are the arguments of regionalism supporters in these countries.

After the historical Pyongyang 2000 summit, versatile contacts and cooperation between the North and South on the Korean Peninsula have been steadfastly widening and developing, though not without difficulties and temporary breaks. It is important to point out that these contacts not only did not decrease since the aggravation of American-North Korean relations from the end of 2002 but even intensified. The North and South have reached an agreement on restoring a transport highway and have begun its implementation. South Korea's Hyundai Asan has spent \$1.2 billion (including \$500 million alone on improving basic infrastructure) since it started bringing tourists to Mount Geumgang in 1993 and on an industrial park in Gaesong on the North's side of the heavily militarized border, for firms from the South to utilize cheaper labor. Some North-South joint ventures have already started production of kitchen utensils, etc.⁴ This kind of business is definitely helping to reduce tensions between the North and South, but more importantly, North Korean leader Kim Jong-il has started some tentative market reforms in his country over past few years. In the summer of 2002, rationing was abandoned, allowing prices and exchange rates to float. About 300 markets, including 10 in Pyongyang, where food and clothing could be bought and sold, were set up. "There is a new freedom to start up small enterprises — restaurants, mom-and-pop stalls and stores — not everywhere, but evident," Selig Harrison, an American expert on North Korea, said after a visit to North Korea in April 2004. He came to an important conclusion: "What is happening in North Korea now is comparable to the early stages of economic reforms of China, say around 1982." Harrison

3 *APEK Economic Outlook, 2003*. Singapore, pp. 19-21, 145, 164, 173, 179, 189, 246, 252, 257, 272.

4 *The Moscow Times*, July 6, 2004.

believes that North Korea is trying to follow the model of China and Vietnam, where the economies were opened without the government losing control.⁵ So, it's not surprising that Deputy Prime Minister in Seoul Lee Hun-jai, in an interview with *The Asian Wall Street Journal* (April 23, 2004), said: "We don't worry much about future developments in North Korea. Kim Jong-il is still in very strong control of the economy, and Kim Jong-il is changing."⁶

The seriousness of Kim Jong-il's intentions is also confirmed by news about dismissal from leading posts of even senior officials, who have ties with him but have expressed disagreement on the course of reforms⁷. More and more specialists, who were able to visit North Korea recently, confirm the view about Kim Jong-il's resolution to follow the course of the reforms and come to the conclusion that the West ought to support the engagement policy with the North rather than drive it into a corner⁸. Finally, we should also pay attention to such a specific moment, which is rarely mentioned while the situation in North Korea is analyzed: The country de facto began to semi-open itself via "the window" to China. Actually, already for quite a number of years, practically uncontrolled transition of people and goods is taking place via the Chinese-Korean border. Tens of thousands of Koreans perform "shuttle" trips to China or go there in search of work. The system of informational isolation has practically collapsed, and South Korean fashion, TV soap operas, etc. have become available for many North Koreans through the "Chinese channel."⁹ Summing up all the above mentioned, it is possible to conclude that the country is going through permanent transformation of the former regime into *authoritarian development*. We have already observed this phenomenon several times in some other Asian countries, and this circumstance opens up a chance to involve North Korea in future regional organization. ASEAN's experience serves as a confirmation, as the former includes

5 *The Wall Street Journal Europe*, April 27, 2004.

6 *The Wall Street Journal Europe*, April 27, 2004.

7 *Izvestiya*, April 14, 2004.

8 *The Japan Times*, January 27, 2005.

9 *Expert*, No. 46, December 6-12, 2004, p.96.

countries with quite different political regimes.

Important prerequisites of future success for any regionalism project in Northeast Asia are the transformations that occurred in Russia in the last five years. First of all, the country managed to overcome the tendency of the factual breakdown of Russian statehood that was gaining force during President Yeltsin's rule. Consolidation of Russian statehood despite all the difficulties and personal mistakes is getting stronger and stronger. It allowed President Putin to pay more attention to the unfavorable situation established during the previous decades in Siberia and on the Russian Far East, to develop a realistic strategy for Russia's integration into the Asia-Pacific through the development of Russia's Asian territory. Since 2003, more and more outlined becomes the energy strategy of *complex development* of East Siberia and the Far East's natural riches with foreign capital involvement. Here, an absolutely different perspective opens up for Northeast Asian countries. Large-scale development of energy resources in these Russian regions might add a "second wind" to the idea of regionalism in Northeast Asia, whose countries are net importers of hydrocarbon raw materials. In light of the extraordinarily unstable situation in the Near East, the principal source of oil resources for all the Northeast Asian countries, the task of Russia's potential complex development acquires exceptional importance. Russia, in its turn, is seriously interested in the settlement of the above problem, as it will help add another powerful impetus to the socioeconomic development of its appropriate regions. Already, now one can notice great interest from the governments and businesses of China, South Korea and Japan in participating in energy cooperation with Russia. On the last day of 2004, the Russian premier signed a document on the beginning of the Taishet-Nakhodka oil pipeline construction, while the Transneft company declared its readiness to start this construction even if no agreement is reached by the deadline with foreign investors. Today, the Russian government has the means for such a project (and not only for this one), accumulated from oil sales above the Stabilization Fund in the Development Fund. During quite a fruitful visit by Roh Moo-hyun, the president of the Republic of Korea, in September 2004, along with other important documents, the sides signed an agreement on cooper-

ation in the energy sphere. The Korea National Oil Corporation (KNOC) and Russia's state-run oil company Rosneft signed a memorandum of understanding for joint oil exploration in Russia, first in Kamchatka and Veninsky on Sakhalin. Though the controlling block of shares in both projects remains with Rosneft, Korean KNOC will presumably get up to 40 percent of the shares in the Kamchatka project and 25 percent in the Sakhalin one ("Sakhalin-3"), as KNOC will shoulder all the expenses on geological surveys and a considerable part of the expenditures "at the project development stage."¹⁰ A very important agreement was signed between Russian Tatneft and LG Engineering and Construction company on projecting, equipment delivery and construction of a new oil refining and petrochemical complex costing up to \$3 billion, as well as an agreement between Alliance oil company and Samsung company on the radical reconstruction of the Khabarovsk oil refining plant (\$500 million). Within the framework of this last project, 25 percent of the oil products manufactured by the Khabarovsk plant is planned to be directed to Northeast Asian countries. At the negotiations, the sides also discussed the issue of South Korea purchasing Russian gas, the problem of Russian aid to South Korea in space development, and many other issues.¹¹ Hence, it's not by chance that as a result of Roh Moo-hyun's visit a new definition of Russia-South Korea relations came into being — "comprehensive partnership of mutual trust." I would like to stress that exactly out of such a type of partnership the structure of a future regionalism will form among all other Northeast Asian countries.

In 2003-2004, the first experience and the first structure of multilateral dialogue at the regional level were born. The question is about six-party negotiations with the participation of China, North Korea, the U.S., South Korea, Japan and Russia. Naturally, this negotiation process touches upon only one, quite important as it is, but particular aspect — the North Korean nuclear problem. Besides, *for the time being*, this experience was not very successful and has not yet led to considerable specific results. I already reported on the matter this January in

¹⁰ *Kommersant*, November 4, 2004.

¹¹ *Izvestiya*, May 5, 2005.

Seoul at the international conference organized by the ruling party (Uri). In my report, I insisted in particular that the six-party negotiations format could be quite useful but should not serve as an alternative to bilateral negotiations between the U.S. and North Korea. North Korea agreed to multilateral negotiations as a sort of a frame inside which there would be bilateral negotiations and agreements with the U.S. That's where the main reason for the low efficiency of the three meetings within the six-party framework lies. The whole sense of a multi-sided format must in fact be in promoting compromise, not a unilateral solution of the problem between the two major conflict participants.¹² Today, I still adhere to this opinion. But having said this, I would like to point out that from my point of view, the paradox of the situation with the six-party negotiations is that if in the narrow sense, i.e. in the sense of the settlement of the North Korean nuclear problem, the multisided negotiations format is of auxiliary importance, in a broader sense, i.e. in the sense of regional institutionalization in Northeast Asia, this experience might obtain much greater importance. In historical perspective, it may turn out to be the initial stage in the genesis of a future regional security organization. Anyway, at the given stage, the six-party negotiations format will reveal those positive elements, around which the process of regional security building might continue, as well as those negative factors, which hinder or simply prevent such a construction.

The "package" solution of the North Korean nuclear problem proposed by Russia, China and South Korea includes as a component economic and energy cooperation in the promotion of North Korean socioeconomic development by all the countries interested in the engagement policy. Thus, six-party (or any multisided) negotiations format might take the shape of a broader approach to the regional security problem.

Here is only one example of such an approach: During discussions of cooperation issues at the Russia-South Korea summit in September 2004, President Putin stressed at the press conference the idea that

¹² "Main Security Problems in NSA and ways of solving them," pp. 10-12.

Russia, which maintains friendly ties with both Koreas, is interested in energy and transportation projects *involving the three parties*, stressing the political and economic benefits of such projects.

The question, first of all, was about connecting the Trans-Korean main line to Transsib and about pipeline construction from Russia via DPRK territory to South Korea. It's easy to understand that realization of such projects could be exceptionally conducive to the success of the engagement policy carried out by the South Korean leadership, to stabilization of the general situation on the Korean Peninsula, and would be an example of a fruitful and pragmatic approach to cooperation in the region as a whole.

II. Obstacles to the Institutionalization of a Northeast Asian Regional Security System

In spite of the formation of the above mentioned (and some other) prerequisites for the establishment of a regional security system in Northeast Asia, at present there are still a lot of serious obstacles in the path of attaining this goal. Intra-country and intra-regional as well as external obstacles exist in this region.

Among objective intra-regional obstacles, we can single out, perhaps, the main one - heterogeneity of the region's countries, unevenness of their socioeconomic, political and general historical development. Relations between separate countries of the region are burdened not only by remaining vestiges of the Cold War, about which a lot has already been written, but also by recollections of even earlier stages of their historical development. At this moment, some people often fail to take this into account when, in discussing the problem of regionalism formation in Northeast Asia, they appeal to the European Union's experience. In the meantime, it would have been useful to remember that European history went through several centuries of endless feudal wars before the Westfall system appeared, and that further on, even when many countries stepped on the way toward democratic development, it was exactly in Europe that the First and Second World Wars were born. It took decades of post-war development for the European

peoples to be able to overcome in their minds negative complexes of the historical past and form common European regionalism ideals. We should also bear in mind the fact that it all began in 1951, with the European Coal and Steel Union, then it consolidated in 1957, by creation of the "Common Market" (European Economic Community), and only in 1993, the European Union (EU) was formed. Thus, the EU "building" was constructed according to all the rules: At first, the necessary psychological atmosphere was created, based on a comprehension of the community of fates, then economic foundations were laid, and after that, the Europeans began to build the walls and the roof of the EU (by the way, "the roof" – the EU Constitution – is still to be "completed," i.e. to be unanimously approved by all the Union members). Against the background of this historical experience, the idea of regionalism in Northeast Asia looks quite "young." By stating this, I hardly want to say that realization of the above idea will need as long a period of time. The thing is that a distinctive feature of modern times lies in unusual dynamism and acceleration of historical development, based upon globalization processes. The latter form economic integration processes without waiting for psychological transformations. However, it does not mean that the necessity of such a transformation can be completely ignored. Professor of Princeton University Gilbert Rozman in his last book "Northeast Asia's Stunted Regionalism" fairly points out that some idealists believe in the power of economic integration and predict that sustained trade and investment ties lead directly to regionalism. He writes, "Despite the extraordinary pace of economic integration, resentments have not diminished nor trust been achieved. Increased economic ties create bonds, but they are not enough ... Clashing national identities linked to problems in bilateral relations played the primary role in delaying regionalism."¹³

Intra-country factors: Today, practically all the Northeast Asian countries are notable for this or that degree of maturity in the process of nation state building. Korea is divided into North and South, China strives to return Taiwan to the single state, Japan, the second economic

13 G. Rozman, *Northeast Asia's Stunted Regionalism, Bilateral Distrust in the Shadow of Globalization*. Cambridge Univ. Press, Cambridge, UK, 2004, p. 356.

power, more and more often ponders over the discrepancy of the above fact with the country's political role in the international community. Russia faces the goal of full-scale integration of Siberia and its Far East region into the all-Russian market. All this feeds nationalism under the banner of which national identity and nation states have historically formed. However, if regional subjects' private geopolitical ideas mingle with the solution of national goals, the focus of positive nationalism can shift in a negative direction, and the process of overcoming the past's negative inheritance may slow down or even stop. The growth of negative nationalism in Northeast Asia is also promoted by the presence of territorial controversy. Japan, for instance, is engaged in such disputes with all the other Northeast Asian countries: with Russia regarding the so-called "Northern territories," with China on Diaoyudao islands (Senkaku, as they are called in Japan), with South Korea regarding Dokdo island (Takeshima in Japan). This March-April, another aggravation of relations in this connection took place accompanied by mutual official protests and stormy street manifestations. Regular visits of Japanese premiers to the Yasukuni Shrine, which enshrines not only the spirits of 2.5 million Japanese war dead but also 14 Class A war criminals, also serve as permanent irritants for Japan's neighbor states. This for people in China, South Korea and elsewhere in Asia symbolizes what some see as Japan's inability to atone for its war guilt. In early April of this year, large anti-Japanese protests and demonstrations cropped up in several cities in China to protest Japan's approval of controversial history textbooks, which play down Japan's World War II era atrocities. Many protesters called for a boycott of Japanese goods. South Koreans also joined the dispute over Japan's textbooks. After violent anti-Japanese street protests, an official protest was lodged with Japan's ambassador to Seoul and Japan's foreign ministry.¹⁴ Japan's Foreign Minister Nobutaki Matimura's visit to Beijing practically turned into a mutual exchange of accusations, and in the meantime, relations between Japan and South Korea spoiled due to the creation of a "Blue Book" on diplomacy, where it is said that

¹⁴ *The Wall Street Journal Europe*, April 11, 2005; *International Herald Tribune*, April 11 and 14, 2005; *Vremya Novostei*, March 22, 2005; *Izvestiya*, March 17, 2005.

Takeshima (Dokdo) island is Japanese territory.¹⁵ In the given atmosphere, even successes in the economic development of Northeast Asian countries work not so much in favor of regionalism as in nourishing negative nationalism. To improve the situation, there has to be a shift in the focus of nationalism.¹⁶

At the given stage, the unsettled problem of Northeast Asian countries' energy security, as net oil and gas importers, works against successful regionalism. By the way, one of the reasons for today's aggravations regarding certain islands is the supposed presence of oil and gas deposits on their shelf and the attempts to develop them.¹⁷ The Chinese oil company CNOOC started the development of the nearest deposits in summer of 2003 and intends to begin commercial extraction of gas this August. Disputes between Tokyo and Beijing regarding the matter still remain unsettled. On April 1, 2005, the Japanese government declared that development of the field by the Chinese company infringes on the Japanese economic zone and may affect the state of natural resources of the Japanese side. On April 13, the Japanese government announced about issuing permits to Japanese companies to test gas well drillings in appropriate regions of the East China Sea. Following the announcement, the official representative of China's State Council notified that Japanese drilling in the controversial zone will lead to "further aggravation of the situation in the East China Sea."¹⁸ Sharp competition began between China and Japan due to settlement of the question regarding the route of the Russian oil pipeline Angarsk (later on Taishet) — Nakhodka (Privoznaya Bay), which in 2003 - 2004 went on with variable success but has not yet been completed. It indicates that there is a pressing need to resolve energy problems on a complex, multilateral (regional) basis. One of the examples of a wise and pragmatic approach to the settlement of energy problems has

¹⁵ *Kommersant*, April 19, 2005.

¹⁶ An interesting article on the rise of nationalism in Northeast Asia was published recently by Prof. Byung-Joon Ahn in *Asia-Pacific Review*, Vol. 11, No. 2, November 2004, pp. 18-35.

¹⁷ *Ibid.*, pp. 39-40.

¹⁸ *Vremya Novostei*, April 14, 2005.

been recently demonstrated to the world by India and Pakistan. We are speaking about the gas pipeline from Iran to Pakistan and further on to India. India and Iran have long ago begun discussing gas pipeline construction, but India was stopped by apprehensions of its dependence on Pakistan, through the territory of which its most economic route would have lain. However, pragmatic considerations (acute demand in import of hydrocarbon raw materials due to steadfast economic growth) took the upper hand. Moreover, now India proposes to extend this gas pipeline to China (the issue was discussed during the April visit of Chinese Premier Wen Jiabao to New Delhi). India also proposed to China to develop cooperation among leading national oil companies so that they could jointly develop and exploit oil and gas fields in third countries.¹⁹ Thus, India and China, traditional foes, have drawn closer in recent years by focusing on trade and economic cooperation rather than on decades-old territorial disputes along their shared border. As a result, South Asia is setting a precious example to Northeast Asia of an approach to the solution of energy security problems.

The problem of leadership in the region also serves at the given stage as an impediment to full-fledged regionalism. Matsuo Watanabe, a research fellow at the Japan Institute of International Affairs, recently wrote in his article on problems of regional integration in East Asia: “Regional integration is very much a political process in which leadership to manage the diverse interests of participating entities is essential, like France and Germany in the European case. In the East Asian context, there is no unanimous endorsement along the countries about who should play such a role. Although Japan and China appear to be contesting the regional leadership, neither of them is a decisive candidate.”²⁰

However, the real problem is not in the lack of a “decisive” candidate. EU success is explained exactly by the fact that France and Germany rejected rivalry between each other, left past wars and conflicts with each other to history, and concentrated their efforts on the real-

ization of the idea of a united Europe, to say nothing about the fact that Germany and France have no such fundamental differences in political systems as those existing today between China and Japan. Initially it was Japan that, relying upon its economic might, tried to become the leader not only in Northeast Asia but in the whole of Asia. Success of the Japanese export-oriented model in the group of “newly industrialized nations” and then in the second echelon of Southeast Asian countries seemed to be indicative of sufficient validity of Japan’s hopes for Asian leadership. There already happened to be formulated the concept of Asia’s development according to the “flying geese” principle, with Japan as the mother goose. Japan hoped that Southeast Asian countries would be followed by India and other countries of South Asia. Today, however, nobody recalls that concept. Every model, even a very successful one, has its finite resources. Having demonstrated wonderful results within the framework of an industrial paradigm, Japan’s “Asian model” malfunctioned at the transition to the postindustrial development stage, mainly in Japan itself, which called forth a protracted stagnation of its economy. However, Japan did not establish itself as a regional or even sub-regional leader due to another, maybe even more important reason — an obvious discrepancy between its political weight in international affairs and its economic status due to its subordination on all important international issues to American domination. That’s why in the majority of cases, Japan in fact voluntarily let the U.S. have the role of leader in the majority of regional institutionalization processes in the Asia-Pacific region. And when finally in the mid-1990s, and especially after the 1997 “Asian financial crisis,” Japan began to come out with certain regional initiatives (the creation of an Asian Monetary Fund or a Northeastern Development Bank), it failed to organize efficient opposition to the US that blocked the above initiatives.

In the meantime, the impetuous growth of China brought it to the position of the world economy’s “second locomotive” (truly speaking, only within the industrial development paradigm as of yet), and now it is especially difficult for Japan to stand for its claims on a leading regional role. However, China will also hardly be able to play the part of a unifying force in the regional integration process in Northeast

19 *Vremya Novostei*, April 13, 2005.

20 *Asia-Pacific Review*, Vol. 11, No. 2, Nov. 2004, p. 14.

Asia. With all the above mentioned successes within the framework of sub-regional economic cooperation, China is too large and steadfastly growing to fit into Northeast Asian frames, which are too narrow for this country. Today it is obvious that China's leadership realizes that to resolve the modernization problems of an enormous country, it has to respond to globalization challenges on the same global level and not on regional or especially on sub-regional ones. In this sense, the April visit of Wen Jiabao to India is quite significant. A declaration about a "strategic partnership" of the two countries was accompanied by Indian Prime Minister Manmohan Singh's following words: "India and China together can change the world order."²¹

In his turn, Premier Wen in an address to information technology professionals in Bangalore said: "I strongly believe that if we join hands together we will certainly be able to set a new trail in the IT business world. Combined, we can take the leadership position."²² Wen also pointed out during his meeting with business circles that "growth of understanding between China and India is a necessary condition for world prosperity ... and the beginning of the epoch of Asia." Moreover, in the course of his personal meetings in India, Premier Wen Jiabao declared that "China will in every possible way welcome India's entry into the UN Security Council"²³

All this suggests that though China is seriously interested in the intensification of integration processes with Northeast Asian countries and is making considerable efforts in this respect, at the same time, taking into consideration the scale of China's population and its economy, the country's leadership heads directly for globalization. All this speaks in favor of the supposition that China will most probably adhere in Southeast Asia to the formula of "open regionalism" as wide and open as possible. Such a proposition is confirmed by the results of the above mentioned recent Chinese-Indian summit and China's decision to join the InterAmerican Development Bank, the most important multilateral institution in the Western hemisphere. Membership in the

21 *Vremya Novostey*, April 12, 2005.

22 *The World Street Journal Europe*, April 11, 2005.

23 *Kommersant*, April 14, 2005.

IADB would allow Beijing to bid for construction and equipment supply contracts linked to projects funded by the bank.²⁴ This is to say nothing about Southeast Asia, where China can use in a very large and powerful financial and economic sense the Chinese Diaspora in many countries of the region. In the last year, serious competition began between China and Japan, which has long been laying claim to the role of an economic leader in this region, regarding it as the sphere of its influence. The competition also revealed itself in the form of conclusion by China and Japan of free trade agreements with Southeast Asian countries (with ASEAN as a whole, like it was done by China, or as bilateral agreements, like Japan).²⁵

It is absolutely clear that with such two competing giants existing in Northeast Asia, autonomous regionalism of any kind is out of the question. And when one of the main conditions for the realization of such regionalism is performed, i.e. when Japan and China overcome their impulse for nationalism and undertake genuine reconciliation, the very need for regionalism by that time will disappear. It will simply dissolve in the prevailing globalism.

The main external (regarding the geographical region of Northeast Asia) factor is the U.S. Essentially, it has long ago turned into the dominant regional factor, with its 80,000 strong military contingent. During the Cold War years, the U.S. provided security for Japan and South Korea, playing a positive balancing role in the region. However, the Cold War is over, yet many structures built during that period remain in the region. The US-Japan and the US-Republic of Korea mutual defense treaties inherited from the bipolar system not only remain unchanged, but the U.S. is trying to strengthen them. There is an impression that the U.S. intends to build another confrontation line in the bipolar spirit but this time on the regional level to maintain its former hegemony in Asia, which has nowadays been somewhat shaken.

24 *Financial Times*, April 11, 2005.

25 See in: *Asia-Pacific Review*, Vol. 11, No. 2, November 2004, pp. 1-3, 28-29. In the course of ASEAN+3 Summit in Vientiane (Laos, 29 November 2004) President Roh Moo-hyun and ASEAN leaders agreed to launch Free Trade Agreement negotiations next year (*Korea Now*, December 11, 2004, p. 8).

In his above cited article, Matsuo Watanabe cites the points of view of Abramowitz and Bosworth expressed in 2003, according to which, largely due to the rise of China in both economic and geopolitical terms, the U.S. has little control and lessening influence on the trends within Asia.²⁶ We know very well from the history of humanity that great powers do not easily part with their hegemon status. (I personally do know it perfectly well by my own country's experience.) It's also well known that past history lessons do not usually teach modern personalities anything. Many U.S. leaders are not an exception here. Intoxicated by the fact that after the breakup of the bipolar world structure the U.S. through inertia remained for the moment as the "superpower" (i.e. a vestige of the former world structure), they persistently continue to ignore giant historical shifts taking place right before our eyes, which will lead to the formation of a multi-polar world. These processes are going on in Asia, especially in Northeast Asia. Yes, undoubtedly, the U.S. for the moment is the most important partner of the main Northeast Asian countries, but it's also a fact that trade balance has for a long time been positive exactly for the countries of this region. So, for example, the volume of foreign trade turnover between China and the U.S. in 2003 made up \$126.3 billion, with American deficit in this trade being approximately \$58.6 billion.²⁷ China preserves such a favorable situation with trade turnover, not the least of all thanks to fixing its currency rate to the dollar. As a result, attempts by the U.S. Treasury to obtain a trade balance deficit reduction by depreciating the dollar do not work. Moreover, Northeast Asian countries in a certain sense have "captured" the U.S. financially: Japan and China today are the key countries - holders of the main part of U.S. state debt. Japan possesses the largest portfolio of U.S. securities - \$526 billion. It is followed by China - \$144 billion, and in general, Asian countries have invested \$860 billion, i.e. 56 percent of all the American state securities.²⁸

Thus, Northeast Asian countries have applied toward the U.S. a

26 *Op.cit.*, pp. 7-8.

27 *Vremya Novostei*, February 10, 2004.

28 *Vedomosti*, February 12, 2004.

kind of stranglehold. In principle, it's the final pressure leverage upon America, especially bearing in mind the not quite bright financial situation in the country, characterized by the country's balance of payment deficit, recommenced growth of its chronic deficit (especially due to military operations against Iraq), unfavorable trade balance, and a super-extensive "dollar overhang" practically all over the world. By the beginning of 2004, Asian countries had accumulated *more than \$2 trillion* in the form of gold and foreign exchange reserves, including: Japan - \$741.2 billion; China - \$403.3 billion; Hong Kong - \$123.6 billion; Taiwan - \$214.9 billion; and South Korea - \$157.5 billion.²⁹ And when at the end of 2003, the U.S. administration tried to exert pressure on China, demanding it to reevaluate the yuan, the Chinese government not only rejected that demand but also, according to some mass media sources, transparently hinted that it might no longer need to keep American government bonds. It might serve as an important precedent of a competent financial-economic response to a "superpower's" pressure.

Under the circumstances, the U.S. dislikes and in every way possible opposes any tendencies not only toward autonomous regionalism in Northeast Asia but also toward certain more resolute versions of Asian regionalism, in particular, ASEAN+3 (i.e. Japan, South Korea, China). And it's not surprising. The thing is that despite the fact that the U.S. backed by European partners, managed to block the realization of the Asian Currency Fund idea, the idea itself not only remained alive but was even partially implemented within the ASEAN+3 framework, when in 2000 at its finance minister meeting in Chiang Mai, Thailand, several countries concluded a series of "swap" agreements with each other so that they could lend foreign exchange reserves to each other to help protect their currencies in cases of crisis. As a result of this Chiang Mai Initiative, this program now involves 16 bilateral currency swap arrangements worth \$36.5 billion among its members.³⁰ At the 2002 ASEAN+3 summit, the East Asian Study Group handed down a series of recommendations, including the idea of having an annual

29 *Kommersant*, February 10, 2004.

30 *Asia-Pacific Review*, Vol. 11, No 2, November 2004, p. 25.

East Asian summit starting in 2005. It seems to me that the U.S. negative attitude toward regionalist efforts in Asia have stimulated, rather than discouraged, the intention to integrate among Asian countries. However, it is obvious that Asian countries cannot ignore the fact that the U.S., for the given historical moment, is the largest and most advanced country in the world in the information technological sense. That is why any tendency toward regionalism in Asia does not attain clear institutional, organizational frames.

In a narrower but very important political sense, direct obstacles for a serious process aimed at developing a regional security system in Northeast Asia is in the Bush administration's position on reconciliation and cooperation on the Korean Peninsula. The impression is gained that the U.S. is not so much worried about the North Korean nuclear program, though incredible ballyhoo has been made on the matter, as the very regime in this country, the overthrow of which it seeks, in fact, regardless of tragic consequences for the Korean people and the wellbeing of a U.S. ally, South Korea, that will inevitably accompany the use of force to settle the problem. The Bush administration has invariably been skeptical, and sometimes hostile, toward the South Korean leadership's efforts to apply the engagement policy toward North Korea, though this policy is the only reasonable alternative to the pernicious use of force and in practice has already begun to bring its modest but very important results. As of today, the following scheme may be outlined: Keys to resolving the North Korean nuclear problem are practically in the hands of the United States — the settlement of this problem will open up wide opportunities for effective implementation of the engagement policy, including North Korea's involvement in the regional cooperation process. In its turn, this will create favorable conditions for the development of a regional security system in Northeast Asia. This is the only reasonable way for all the countries of the region, and they must concentrate their efforts for its implementation. In this sense, the format of "six-party negotiations" should not turn into a screen for the realization of a paternalistic policy of a "superpower" but ought to act as a forum for rendering assistance to a compromise between two extreme positions.

III. Final Remarks

It's quite apparent that for the present, prospects of forming a regional organization in Northeast Asia are quite obscure. On the one hand, it's obvious that the countries of this region are already finding the too one-sided economic dependence on the U.S. burdensome. They feel an urge to diversify their foreign economic ties, also at the expense of rapidly growing inter-Asian economic communication. Such is the force of economic pragmatism dominating these countries that despite all the above mentioned obstacles and enmity, they have developed their economic cooperation and regional trade. On the other hand, political and psychological problems are still quite serious and are really hindering the organized execution of economic regionalism. I presume that exactly for this reason, integration tendencies broke through the geographical borders of the Northeast Asian sub-region and came to the ASEAN+3 format. It's indisputable, but it seems that here we should avoid extreme optimism, so that later we will not experience too serious a disappointment. In a December issue of "Korea Point" in "Viewpoint," an editorial begins with the following words: "When the leaders of 13 East Asian nations agreed at a meeting in Laos to hold the first East Asian summit in Kuala Lumpur next year, they set in motion a historical process aimed at creating an East Asian version of the European Union. Only several years ago, the concept of an East Asian community was something unthinkable."³¹⁾ The main argument for such optimism was the same: The 13 nations in East Asia have about 2 billion people, one-third of the world population, with a combined GDP accounting for about 20 percent of the world's aggregate GDP. They also hold almost half of the total foreign exchange reserves in the world. Yes, but the more countries and people, the more problems. And when the magazine reproaches the government of the Republic of Korea for weakening its initiatives on forming an East Asian community due to its focus on the North Korean nuclear and some other issues, it's necessary to take into consideration the fact

31) *Korea Now*, December 11, 2004, p. 4.

that without the solution of complicated political problems, no regional community will be strong. There is a long way to the model of the European Union. In a word, in the “Asian economic pot,” the “soup” of regional integration is cooking, but it is not yet clear what the final product of this process will be. One thing is obvious: In any development version, 21st century Asia will play an increasing role in the world economy and politics in the multi-polar world that is materializing right before our eyes, in spite of the persistent skepticism of those who advocate a simplified uni-polar world concept.

The North Korea Issue and Japan's Approach to Multilateral Cooperation

Haruki Wada

Japan has bilateral tasks and problems with North Korea and at the same time shares with neighboring regional countries common multilateral interests and apprehensions in relation to North Korea.

Let us begin with the North Korea issue as a bilateral problem to Japan. No country is closer to Japan than Korea, the neighbor with which from ancient times it has enjoyed intimate exchanges. Yet today it has relations with only one of the two Korean states, the Republic of Korea, and not with the other state, the Democratic People's Republic of Korea.

Furthermore, the citizens of both present-day Koreas were made to endure great suffering and harm under Japanese colonial rule. In the August 1995 statement of Prime Minister Murayama, Japan did express remorse and apology for the pain and harm done by colonial rule, and in 1998 the governments of Japan and South Korea signed a joint statement affirming the contents of the “Murayama statement.” It remains for appropriate remorse and apology to be addressed to the people living in the northern half of the peninsula.

The DPRK is a state that was ruled, from its foundation, by a former

leader of the anti-Japanese partisan struggle in 1930s Manchuria, Kim Il-sung. The fact that the fierce hatred between Kim Il-sung and the Japanese “bandit suppression” forces became the very founding spirit of the country makes it all the more important for the Japanese side to express remorse and apology for the past if normalization of relations is to occur.

Though the DPRK was born after liberation in 1945, these are not just matters long past and of no relevance to today’s relationship with Japan. Confrontation has been continuous ever since the 1930s. The Korean War grew out of an attempt by North Korea to unify the country by force, an act defined by the United Nations Security Council as aggression by North Korea. When the U.S. entered the war to assist South Korea, Japan automatically became an important base for U.S. military activities. Japan’s national railway, coastguard and Red Cross all cooperated in the war on the U.S. side.

Japanese sailors led the 1st Marine Division to their Incheon landing and minesweepers of the Japanese coastguard cleared the way for U.S. forces to land at Wonsan. Throughout the war, U.S. B-29 bombers from Yokota (near Tokyo) and Kadena (in Okinawa) flew ceaseless bombing raids on the North Korean army, towns, dams and other facilities.

Japan did provide this support only because, as a defeated and occupied country, it was obliged to obey the orders of the occupation forces unconditionally. Therefore though the Japanese people have no sense or memory of having participated in this war, from a North Korean viewpoint Japan was a belligerent country, providing full support to the U.S. and South Korea.

For 52 years since cessation of hostilities, the ceasefire has persisted without a peace treaty. U.S. bases are still in Japan, and Japan and North Korea remain locked in confrontation. During this time, North Korea engaged in irregular and unlawful activities in Japanese territory to gather intelligence on U.S. or Japanese Self Defense Force bases, sending spy vessels and agents with false passports. Japanese people were abducted in order, presumably, to secure passports for spies being sent into South Korea. Strategic and hi-tech materials that could not be legally imported into North Korea were brought in secretly, and

the same routes were then used for sending back narcotics and stimulants into Japan.

In the 1990s the development and deployment of Nodong missiles and the suspicions over North Korean nuclear weapons development plans heightened tensions between Japan and North Korea. The Japanese people who suffered from the U.S. atomic bombs in 1945 can never accept the appearance of a new nuclear-armed country among their neighbors.

If Japan is to normalize relations with North Korea, it is important for Japan to recognize the pain and suffering caused by its colonial control over Korea and to apologize and compensate for it.

Normalization of relations will equally require both countries to put an end to the irregular and hostile relations of the past half-century, and for North Korea to admit to the illegal acts it committed during this period, promise not to commit such acts in future, and set right and make amends for the consequences of such acts. The third is to lower the military tension between the two countries. The development and deployment of weapons threatening the security of the opposite side will have to stop. Fourth, both countries will need jointly to strive to contribute to regional and global harmony.

In September 1990, 46 years after the end of colonial rule, negotiations between Japan and North Korea began on these matters. The Japanese government knocked on North Korea’s door, expressing remorse over past colonial rule, and a mission was sent to Pyongyang consisting of Kanemaru Shin (Liberal Democratic Party, or LDP) and Tanabe Makoto (Japan Socialist Party or JSP) bearing a personal letter from Prime Minister Takeshita Noboru. A three party (LDP, JSP, and Workers Party of Korea) declaration on normalization was adopted, expressing a Japanese apology and desire to compensate for the misery and misfortune caused by 36 years of Japanese colonial rule since then, and a readiness to open diplomatic relations.

Japan-North Korea negotiations on normalization then opened in January 1991 and continued until May 1992 when they broke down following the 8th round. The problem of Lee Eun-hye, an abducted Japanese woman who was said to teach Kim Hyon-hee, a North Korean agent connected with the KAL Incident of 1987, and suspicions

over the North Korean nuclear program combined to block any progress.

In April 2000, negotiations reopened after a hiatus of eight years. The question of abductions came up in the 9th round, however, and the talks were broken off again after the 11th round.

On Sept. 17, 2002, Prime Minister Koizumi suddenly visited Pyongyang. The Japan-North Korea Pyongyang declaration was adopted. This was the result of long, secret negotiations which were carried out by Tanaka Hitoshi, head of the Japanese Foreign Ministry's Asia-Pacific Bureau, and a "Mr. X," someone in North Korea who enjoyed the confidence of Chairman Kim Jong-il. The people privy to these negotiations was very few and even Deputy Chief Cabinet Secretary Abe Shinzo, who favored a hard line on the abduction issue, was not informed.

The September summit meeting between the Japanese and North Korean leaders was short, but dramatic. The two leaders agreed to "make every possible effort for an early normalization of relations." In the Pyongyang declaration Koizumi expressed "deep remorse and heartfelt apology" for "the tremendous damage and suffering" inflicted on the people of Korea during the colonial era, and promised to provide economic cooperation after normalization with the DPRK side. The two countries agreed to mutually waive all of their property and claims and those of their nationals, which had arisen from causes that occurred before August 15, 1945. On the other hand, Kim Jong-il admitted to the abductions of 13 Japanese between 1977 and 1982 and for the dispatch of spy ships into Japanese waters.

Hitherto the abductions were the problem of suspicions. The Japanese government had officially recognized the seven cases of such suspected crimes, the victims of which were 10 persons. Now the North Korean government admitted that it abducted nine persons, excluding one, and that it abducted three persons who were believed to be taken to North Korea by the hijackers of the JAL plane "Yodo," and finally that it abducted Soga Hitomi, whose case had not been known in Japan before. Out of these 13, North Koreans stated that five survived and eight died.

It was natural that this information gave great shock and deep

anguish to the families of the abducted victims. Seeing their sorrow, the Japanese people showed keen sympathy to them and resented North Korea anew, far more vehemently than before. Even in this situation, it was possible and yet necessary to go ahead on the road of reasonable diplomacy, appeasing the pains and coaxing away victim families' anger. But among the leaders of the National Association for the Rescue of Japanese Abducted by North Korea (*Sukuukai*), there were some radicals. For example, Sato Katsumi, chairman of this association, was saying openly that "as long as the Kim Jong-il regime exists, it is difficult to solve the abduction problem" and that "the overthrow of the Kim Jong-il regime is the absolutely necessary condition of the solution of the abduction problem." Certainly it is not to be expected that the Kim Jong-il government will make the truth of the abduction cases clear fully. Therefore Sato's argument might be feasible, depending on the content of the solution that is to be defined. But if the initial aim was set up as the normalization of our relations with the DPRK, headed by Kim Jong-il, we cannot seek the overthrow of the Kim Jong-il regime, and if we seek it, the normalization of our relations will become impossible.

After the summit, five people who Pyongyang said were the survivors of the 13 originally abducted returned to Japan. Their return was promised to be temporary, as their children remained in North Korea. But when they returned, their parents and sisters wished that they would stay in Japan.

The Japanese government decided to let the five people remain in Japan, and demanded the handover of their children. And it stated further that as long as the schedule of the return of the five abductees' children was unclear, further negotiations for the normalization of relations between the countries are not possible. The North Korean side stated that this is a violation of the promise between two countries and demanded the return of 5 persons to Pyongyang. The negotiation came to a deadlock.

From his powerful position within the government, Abe took the view that North Korea would be forced by poverty and desperation to accept Japan's terms. "In Japan," he said on Nov. 14, "there is food and there is oil, and since North Korea cannot survive the winter without

them, it will crack before too long.” However, it did not crack and instead a prolonged stalemate, lasting not one but two winters, followed.

In Japan a newly formed “Council for Investigation and Help for Specially Designated Missing Persons” undertook to list missing persons from throughout the country and take up the cases of those whose circumstances of disappearance made it seem they might have been abducted, and a “Bill to Partially Amend the Foreign Exchange Law and the Foreign Trade Law,” designed to prepare the legal grounds for imposing economic sanctions by putting a stop to trade and to the remission of funds to North Korea, was jointly presented to the Diet by LDP and DJP (Democratic Party of Japan) members and passed into law during February 2004.

But behind the scenes negotiations with North Korea were undertaken by Hirasawa Katsuei, general secretary of the Diet members league. In April 2004, Yamazaki Taku, a close associate of the prime minister and former LDP Diet member, went with Hirasawa to Dalian for further talks, which paved the way for Koizumi’s second visit to Pyongyang. On May 22, 2004 Koizumi visited Pyongyang, met with Kim Jong-il and brought the negotiations between the two countries back on track. The prime minister was thereby assuming responsibility and taking steps necessary to restore confidence in order to reopen normalization negotiations. In announcing the prime minister’s visit to North Korea, Chief Cabinet Secretary Hosoda Hiroyuki explained clearly that it was intended to “restore trust between Japan and North Korea.” Koizumi himself explained the purpose of his visit as he departed for Pyongyang on May 22: “[I]t is in the national interest of both countries to normalize the current abnormal Japan-North Korea relationship, to turn a hostile relationship into a friendly relationship, confrontation to cooperation.”

In Pyongyang, Koizumi reaffirmed his desire for the establishment of diplomatic relations and promised that, so long as the Pyongyang declaration was adhered to sanctions would not be implemented. He reopened humanitarian aid, promised 250,000 tons in food aid and \$ 10 million worth of medical supplies, and also promised to address the question of discrimination against Korean-in-Japan residents. In

response, the North Korean side agreed to consider the five returned abductees as permanently returned (rather than “temporarily returned”), to allow their children to leave the country with Koizumi, to allow Charles Jenkins and the two children of Jenkins and Soga Hitomi to meet with Soga in a third country, and to reopen a “sincere reinvestigation” into the eight whose whereabouts were uncertain. Both sides agreed to return to the basic principles of the Pyongyang Declaration and renew constructive negotiations.

Soga Hitomi was originally to have met her family again in Beijing but, when the Japanese side proposed changing the venue to Indonesia, North Korea accepted, allowing Soga’s husband, Charles Jenkins, and their two daughters to go to Indonesia and then to proceed from there to Japan. Once in Japan, Jenkins reported to the U.S. army and after being debriefed in detail about his experiences in North Korea, was subjected to the formality of a court-martial and in due course released. At a press conference he said that his life in North Korea had been the “life of a dog.”

At this point, all conditions which were laid for the resumption of normalization talks were cleared, but the outcome of the “sincere reinvestigation” into the eight other abductees was stalled. This North Korean report was presented at a meeting at the bureau chief level of the respective foreign ministries in Pyongyang in November. Yabunaka, returning to Japan, reported the North Korean response that the eight were dead and that no substantial record of their death proved to be available and that the entry of Soga Hitomi’s mother and Kume Yutaka into North Korea was not established. Only a few documents were provided and some persons connected with the cases were interviewed, most important being Kim Chol-jun, the husband of Yokota Megumi. Since he worked for a North Korean “special agency,” Kim Chol-jun declined to be photographed or videotaped, and he handed over to them remains that he said were those of his wife, which he said he had dug up after initial burial, cremated and then kept.

When the Japanese delegation returned and it was learned that there was no change in the North Korean position that all eight were dead, the Japanese side had to decide its attitude toward this result. There is no doubt that this result could not satisfy the Japanese people. But if

no other result proved to be available from the North Korean government for the time being, to reject this result was to reject the Kim Jong-il government and to close the negotiation table. But the families association angrily demanded sanctions, saying that the investigation had not been conducted sincerely, and the Japanese government was obliged to follow them without strategic consideration.

On Dec. 8 the Japanese government's report on the remains was published. The National Research Institute of Police Science had been unable to produce a result but the investigation carried out by the medical department of Teikyo University, which has a high reputation in the field of DNA analysis, found that the remains were not those of Yokota Megumi but the mixed remains of two unrelated people. At this, the Japanese government protested strongly to North Korea and froze the dispatch of any further grain as humanitarian aid.

On Dec. 24, the Japanese government published the results of its study of the materials brought back from the meeting in Pyongyang. It concluded that there was "absolutely no evidence" to support the North Korean side's claim that eight had died and two had not entered the country. It therefore took the view that there was the "possibility that they were still alive," and demanded their immediate return. This meant that the government had now adopted the reasoning of the national movement (Rescue Association, Families Association and Dietmembers League). Now there was no room for negotiations.

North Korea's formal response was given on Jan. 24 in the form of a North Korea Central News Agency "memorandum." On the problematic remains, it stressed the fact that the Police Institute and Teikyo University analyses had come to different conclusions and argued that it was unscientific and improper to place absolute weight on one conclusion only. Secondly, it raised a question about the analytical level of Teikyo University, arguing that since human remains in North Korea are cremated at 1200 degrees centigrade, it was "common sense" that DNA analysis could not produce any result, and that the findings of the Teikyo University study were problematic. Third, it raised specialist doubts about the Teikyo University findings. Fourth, it protested that the names of the analysts were not attached to the expert opinion. The memorandum's conclusion — that the outcome of the analysis

was "a fabrication by corrupt elements" — was a sudden jump in logic, yet Pyongyang had clearly raised doubts over the outcome of the Japanese analysis. Later the English authoritative scientific magazine "Nature" intervened by publishing an interview with Doctor Yoshii Tomio, who studied the remains and raised doubts about Yoshii's result.

Thus, the abduction problem, which should have sought for a solution in the process of negotiation talks, blocked the way for negotiations for the third time, completely. It can be said that the abduction problem pushed away all other problems, including the nuclear issue.

The nuclear issue is our common concern in relation to North Korea, Japan shares with neighboring regional countries multilateral interests and apprehensions about the North Korean nuclear weapon program. And as long as the Japanese people with Korean residents suffered from atomic bombs in 1945, to solve the nuclear issue of North Korea belongs to the sincere hope and responsibility of the Japanese.

In the Pyongyang declaration we see the following passage:

"Both sides confirmed that, for an overall resolution of the nuclear issues on the Korean Peninsula, they would comply with all related international agreements. Both sides also confirmed the necessity of resolving security problems including nuclear and missile issues by promoting dialogues among countries concerned. The DPRK side expressed its intention that, pursuant to the spirit of this Declaration, it would further maintain the moratorium on missile launching in and after 2003."

But on Feb. 10, 2005 the North Korean foreign ministry issued a statement where the production of nuclear weapons and the increase of nuclear arsenal was declared. The strange expression, "the increase of nuclear arsenal," simply meant the increase of nuclear weapons. This was bluntly explained to us by Mr. Pak Hyon-zye, deputy director of the Institute of Peace and Disarmament. If this declaration is true, it is a violation of the South-North Declaration of Nuclear Disarmament and US-DPRK agreement and logically it violates the Pyongyang declaration. Owing to the abduction problem, our normalization talks are suspended. Therefore Japan has no direct channel to persuade the DPRK or to protest to the DPRK.

The six-party talks are the basic form dedicated to solve the nuclear issue of North Korea. The six-party talks began in Beijing in August of 2003. Prime Minister Koizumi talked with Chairman Kim Jong-il about this form during his first visit to Pyongyang in September 2002. But when the six-party talks began, after North Korea withdrew from the Nuclear Non-Proliferation Treaty, Japan urged the participating countries to include the abduction issue on the conference talks agenda, but naturally without success.

Now in Japan there are strong voices demanding economic sanctions on North Korea. These demands are based on the abduction problem. But the specialists unanimously resisted the idea of such sanctions. They believed that if a sanction is available, this should be used only to solve the nuclear issue. On the other hand, such specialists on the North Korean economy as Professor Komaki Teruo pointed out that economic sanctions do not work because of decreasing our economic relations with North Korea. Japanese trade with North Korea amounted approximately to 120 billion yen in 1980. It fell to 27 billion yen, almost to one-fifth in 2004. Then Japan has no effective means for economic pressure on North Korea.

The six-party talks should be resumed with North Korean representatives joining. In order to persuade North Korea effectively with pressure, it is necessary for Japan to resume Japan-DPRK negotiations for normalization and to say that if the nuclear issue is solved Japan can go ahead in establishing diplomatic relations and providing economic cooperation. For this purpose Japan should have a new strategy for tackling the abduction problem.

This April when I visited Pyongyang to meet Mr. Song Il-ho, deputy director of the Asian department of the North Korean foreign ministry, a key person of the Japan-DPRK negotiation, he said that colonial rule and abduction are the phenomena of the 20th century and criticized the Japanese government for separating colonial rule and abduction as a problem of the past and the other as one of the present. Both colonial rule and abduction are the problems of the past and the present. Contrary to this, the nuclear problem is a problem of the present and the future. To stop the North Korean nuclear weapons program is a paramount task for us, so far incomparable with the abduction problem in

its effect and significance. The Japanese government and people should find a way to stare at their own problem straightly and to solve it.

China and Northeast Asian Regional Security Cooperation

Xintian Yu

I. China's Efforts for Regional Stability

East Asia is a complex area rare in the world, especially in terms of security. After the Cold War, only East Asia maintains divisions inherited from the Cold War, i.e. ROK and DPRK, as well as China's mainland and Taiwan. During the Cold War, the confrontation between the two camps respectively headed by the U.S. and the USSR resulted in two major wars in East Asia, the Korean War and the Vietnam War. With the collapse of the USSR, the U.S., the sole remaining superpower, still maintains its military hegemony status in East Asia via bilateral military cooperation with its military allies in East Asia. If there is only dominance by one big power, it will be needless to talk about any regional security¹. Furthermore, East Asia is such a vast area, with so many countries, that a lot of disputes in terms of territory and territorial waters remain unsettled, the economy of each country develops unevenly, and there are wide divergences in nationalities, religions

¹ Barry Buzan and Ole Waever, *Regional Power: the Structure of International Security*, Cambridge: Cambridge Univ. Press, 2003, p. 46, pp. 61-63.

and cultures. Therefore, people believe that regional integration in East Asia is very difficult, let alone regional security.

China is a big power in East Asia, with the most neighboring countries in the world. On the one hand, this situation causes great challenges to China's security; but on the other hand, because it borders Northeast Asia, Southeast Asia, South Asia and Central Asia, China also has the opportunity to promote regional security and peace. China, having seized the opportunity, advocates a new concept of security based on equality, mutual benefits, consultation and cooperation; considering comprehensive security and cooperative security; making efforts to resolve regional hot issues, lowering regional tensions; as well as searching for peaceful ways to solve problems under the condition that a complete regional security framework has yet to be established.

The first problem I want to touch upon is the North Korean nuclear issue. China, having made great efforts and sponsored three rounds of six-party talks, defused the explosive and intense situation and guided it onto a track of peaceful dialogue. For the time being, the fourth-round talks have met some difficulties and have yet to be held. But that does not indicate the failure of six-party talks. In fact, the possibility of continuing the six-party talks and solving the North Korean nuclear issue is still alive. The reasons are as follows:

First of all, the U.S. is now focused on Iraq's reconstruction, the Middle East issue and the counter-terrorism issue. Objectively speaking, there are no realistic conditions for the US to adopt military means to solve the North Korean nuclear issue. It is hard for the US to get domestic support for military action against North Korea unless the DPRK, like other international terrorist organizations, exports nuclear materials or facilities. Second, the DPRK is neither Iraq nor Libya. No matter how tough the American military is, the Pentagon can offer no speedy and effective plan. Third, to return to the negotiation table is the only way out for the DPRK to get security guarantees, economic aid and normal relations with the U.S. and Japan. The reelection of Bush means the DPRK's illusion of America's "regime change" evaporated, and the six-party talks have become the DPRK's best choice. Fourth, if the DPRK refuses to come back to the six-party talks, it

would not only face the danger of being isolated in the international community but also lend an excuse to American domestic hawks to adopt an even harsher policy toward it, including a draft to the UN, an economic boycott and so on. Fifth, viewed from the domestic political needs and the so-called “succession” problem Kim Jong-il is considering now, the DPRK could get the best results only through negotiation.

China believes that non-nuclearization and maintenance of peace and stability on the Korean Peninsula is not only in line with China's interests but also in line with each country's interests. Therefore, it is necessary to spare no efforts to promote the six-party talks. China is persuading the U.S. not to give wrong signals and seek for negotiations, as well as persuading the DPRK to be aware of the situation and come back to the table. China will also keep close contacts with other parties and promote the issue to be settled in a positive way.

The second one is the Taiwan issue. Regional countries, even the whole international community, are all very much worrying about the cross-strait situation. Since economic relations have deepened daily across the strait, the Taiwan authorities, very much worried about the situation, have put forward “one side, one state,” “referendum” and “constitutional changes,” and have encouraged the trend of “independence.” The mainland government is well aware that what the Taiwan authorities are doing damages not only China's core interests but also affects the whole region's peace, stability and prosperity. Hence, to restrain “Taiwan independence” has become the focal point in terms of the mainland's policy toward Taiwan.

Up to now, in my understanding, the mainland's policy has four aspects. First, to work hand in hand with the international community to restrain “Taiwan independence.” I am grateful to the U.S., Japan, ASEAN and European countries for their condemnation of the trend of “Taiwan independence” and support of the stability of the East Asian situation. Second, it is to restrain “independence” by law. China is now building itself into a country under the rule of law, and it is necessary to restrain “independence” by law. The “Anti-Secession Law” does not only imply the conditions to employ “non-peaceful means” but also includes a legal guarantee to promote political, economic, social and cultural communications across the strait. Third, it is

to stop “independence” by force. China's goal is peaceful development and peaceful reunification. The armed forces are employed to deter the force of “Taiwan independence,” stopping it from making any reckless move. Fourth, it is to win over the Taiwanese people and promote people-to-people communication, understanding and identification across the strait.

With a sincere, pragmatic and flexible manner, Hu Jintao, general secretary of the CCP, invited Lian Zhan, chairman of the TMT and Song Chuyu, chairman of the PFP, to visit the mainland, which is a step with historical significance. When meeting with Lian Zhan, Hu Jintao put forward four points. The first point is to build political mutual trust and mutual respect, to seek common ground while reserving differences, and to realize peaceful and stable development across the strait. The second is to improve economic exchanges and cooperation across the strait, mutual benefits and joint development. The third is to consult in an equal manner, improve communication and expand common understanding. The fourth is to encourage people-to-people exchanges across the strait, increase mutual understanding and promote interactions and affection among family members. He also said, as long as within the framework of “two sides, one China,” we welcome any party or person's visit and dialogue, no matter whatever party it is or whatever he has said in the past. Hu and the Central Committee also offered the Taiwanese people very specific kindnesses, such as a special preferential policy regarding Taiwanese fruits and produce coming into the mainland, three direct links across the strait, promotion of tours for the Taiwanese people in the mainland, giving a panda as a gift and so on. At present, the Taiwan authorities, being thrown into confusion, are neither unwilling nor have the courage to accept these kindhearted measures, with even the panda being regarded as a tool for “united-front tactics.” Nevertheless, the exchanges, peace, stability and prosperity across the strait have become the grand trend. Of course, it needs a long-term process, but China's efforts have been highly valued by the international community.

What should still be pointed out is that China has solved the land border issues with all neighboring countries except India and has

reached some principles concerning the border with India. China has maintained fine relations with all regional countries. Even though disputes about territorial waters or some islands remain, China still maintains to deal with them through peaceful means. For disputes that cannot be settled for the time being, China maintains to put them aside and begin joint development first. China, the Philippines and Vietnam have already begun joint exploration of resources in the South China Sea. If more countries want to join, they are also welcome.

II. China's Active Participation in the Construction of a Regional Security Institution

In recent years, cooperation and integration in East Asia have continued constantly, each country has paid more attention to security, and China has actively participated in regional security cooperation and made great efforts to promote the construction of a security institution.

The six-party talks are of great significance in terms of an East Asian security institution. In comparison with Southeast Asia, the security institution in Northeast Asia is relatively weak, and its construction has more difficulties. Northeast Asia is a region where the big powers get together. During the Cold War period, it was completely impossible for the big powers to coordinate with each other, while now, for the first time, the big powers are able to begin coordination due to the North Korean nuclear issue. Meanwhile, the present six-party talks do not mean that the small powers' destiny will be decided by the big powers, unlike the unanimous decisions of European big powers. All six countries, no matter whether they are small or big, enjoy equality and respect, jointly deal with the security issue and make new progress on the issue. Jack Prichard, former director of Asian affairs of the American National Security Council, the president's special assistant on Asia security affairs and special envoy on the North Korean nuclear issue of the State Council, recently pointed out that the six-party talks have brought a kind of opportunity to construct a relatively formal organizational framework for multilateral cooperation. If

the U.S. simply wanted to solve the North Korean issue only, it might miss the opportunity. He also pointed out particularly that since March 2003, China has begun her frequent shuttle of diplomatic activities, first for the three-party talks and then for the six-party talks, opening a consistent dialogue for all countries concerned.² What I still want to point out is that the working group mechanism of the six-party talks could further be expanded, playing the role of a special issue council. Even before North Korea participates in the negotiations, the other five parties might carry out dialogue and consultations on regional security issues. This framework also provides an opportunity for China-US-Japan, China-Japan-Korea, China-Russia-US to carry out bilateral, trilateral or quadrilateral consultations concerning any security issues. The present problem is how to make full use of the framework to promote the institution to be more institutionalized and regularized, finding out the principles, means and ways suitable for Northeast Asian security cooperation. Anyway, we must reverse the situation lacking security in Northeast Asia. Otherwise, peace, stability and prosperity could not be ensured in East Asia.

Regional awareness in the whole of East Asia is rising. Several parallel 10+1 and 10+3 are developing in a healthy way. Although 10+1 and 10+3 are aiming at the construction of FTAs, the implication is in no sense restricted to trade and investment. The elite of East Asia all agree that the East Asian Community to be constructed is not only an economic one but also a political one, a social one and a cultural one. China has undergone a process from participating in regional economic organizations to regional security organizations, while becoming an important supporter and promoter of regional security cooperation. China has joined the "Southeast Asian Friendly Cooperative Pact," demonstrating that its rise is for peace, by peace and beneficial to peace. China also actively supports the assumption of an "East Asian Community." A specific signal is the forthcoming East Asian Summit to be held in Malaysia this year. Of course, it will take a rather long

² Jack Prichard, "Beyond Six-Party Talks: An Opportunity to Set up North Pacific Multilateral Cooperation Framework," *The World Economy and Politics*, No.1, 2005.

time to materialize the East Asian Community, but it has reached the crucial moment of its development.

China's enthusiasm for an East Asian security community comes from the view of security threats and a reexamination of national interests. The Chinese government has recognized that non-traditional threats are rising today and may possibly mix with traditional threats, so that no individual country could deal with it. We must work hand-in-hand with the international community. Since the mid-1990s, China has suffered a series of strikes, such as the East Asian financial crisis, SARS, floods and other natural disaster, the bird flu and so on. In the process of jointly dealing with these challenges, China has shared weal and woe and deepened emotional ties with East Asian countries, realizing that China and East Asian countries possess common interests and should cooperate to preserve national interests. At the same time, in the process of regional security cooperation, the establishment of a cooperative network with multi-fields, multi-levels and multi-entities has emerged step-by-step. Cooperation in the security field does not only mean that of the military department or that of government departments but also includes that of civilians and non-government organizations. As the second track began to develop, the network between civilians and society was established, and with cultural and social exchanges, regional identification has improved as well. The "ASEAN model" then becomes the "East Asia model," with the features as follows: comprehensive definition of security; consultant and common understanding rather than the establishment of hegemony or an alliance; loose rather than very tight organization and institution; open (tolerant) rather than enclosed (exclusive) membership and so on. These features are very much criticized by outsiders, but the security cooperation characteristics in East Asia are suitable to the peculiarities of the region, and neglect of them might cause negative impact in terms of regional cooperation.

In East Asian security cooperation, the one of China-Japan-Korea is critical concerning East Asian stability. In the joint declaration on trilateral cooperation by China-Japan-Korea, it referred to cooperation such as preventing MDW and its carrier from expanding, enforcement of disarmament, denuclearization of the Korean Peninsula, counter-ter-

rorism, fighting trans-national crimes, countering pirates and so on. While in promotion of economic cooperation, it also covers a series of non-traditional security cooperation, such as financial cooperation, energy cooperation, environmental cooperation and so on. Since Northeast Asia has just come into the stage of considering regional security cooperation, the mutual trust mechanism has yet to start based on an orderly and gradual way and from an easy one to a difficult one. I think, the most urgent and relatively easy thing to do is to establish an energy cooperation mechanism first. China, Japan and Korea are all big energy importers. If an energy cooperation council could be set up, it would be possible to bargain on oil prices with those oil exporters in the Middle East. (Currently, the price of oil per barrel sold to East Asia is \$2 more expensive than to Europe and the U.S.) Oil supply, oil process and oil transportation could also improve. China, Japan and Korea are all making great efforts to realize multiple channels of energy supply and, if united, might reduce malignant competition and have a win-win-win situation.

China, Japan and Korea also depend on the same international waterway to import energy and resources. As this international waterway is both long and full of dangers, two-thirds of international pirates' activities are dynamically focused here. China, Japan and Korea are all victims of those pirates' activities. If the navy and armed police of the three countries could jointly go on patrol and fight these pirates and trans-national crimes, it would be beneficial to each of the three countries' national interests. More importantly, such cooperation would reduce suspicion and improve trust, and while in the process of cooperation, we could search for ways leading to the establishment of an institution suitable to each side.

III. Some Problems Concerning the Promotion of East Asian Security Cooperation

The U.S. has important interests and influence in East Asia, which was shaped by history, as well as objective reality. In terms of security, the U.S. provides a "balance of power," mainly via military alliances

and cooperation. ASEAN, through ARF, also reached a balance of power between ASEAN and the big powers. The present East Asian security is a combination of two “balances of power,” which is a “weak security institution.” After the Cold War, the US and Japan once suggested that the US-Japan security alliance be a regional security guarantee rather than an arrangement concerned with defending Japan. With the efforts of the Korean government, great changes have taken place in the US-Korea military alliance. Korea has carried out a balanced reform between the U.S. and Asia, which has a very positive role in terms of the establishment of East Asian security cooperation. If the US-Japan security alliance is going to play the role of a regional security institution, its target should be changed, as well as its covered area and contacts. The recent “2+2” conference mentioned having dialogue and contact with China, which is positive, but bringing Taiwan into its covered area, which is negative. China would like to have dialogue and contacts with the US-Japan and the US-Korea alliances and carry out cooperation based on maintaining regional common interests.

Another view should also be changed. That is the view of regarding the modernization of the Chinese People’s Liberation Army as a threat. Recently, a report by the U.S. Rand Company pointed out the modernization of the Chinese People’s Liberation Army is lagging several decades behind that of the U.S. and Japan. If China’s military modernization continues to lag behind this way, it would be a disadvantageous factor for regional security cooperation. For instance, although China offered aid to the victims when the tsunami happened, the actual aid was affected due to our lack of naval vessels for transportation. No matter whether it is for counter-terrorism, international crimes or pirates, no matter whether it is for maintaining the security of the international waterway or obviating disaster, we do need a modernized military force.

Geographically speaking, Korea is located in the center of the Korean Peninsula. Strategically speaking, Korea could play the peculiar pivot role in Northeast Asian security cooperation. Korea could serve as a bridge both between the U.S. and China and between Japan and China. In fact, China could learn from the way Korea deals with

Japan’s history issues and co-writes history textbooks with Japan. Both China and Korea are neighboring countries maintaining a normal relationship with the DPRK, persevering in searching for peaceful means to handle the North Korean nuclear issue. Thus it is completely necessary for China and Korea to maintain much closer consultations with each other.

Since there exist certain problems between China and Japan, fundamentally speaking, both countries have not been well prepared in terms of how to coexist. This needs time. Therefore, Korea should and could play the guiding role in Northeast Asian security cooperation. Of course, China, Japan and other countries should also actively promote the establishment of a new cooperative institution. So long as it is beneficial to the regional security cooperation, no matter who puts it forward, the others should offer their support.

In order to change the present weak security institution situation in East Asia, on the one hand, we should enhance the institutional arrangement. On the other hand, we should enhance the construction of trust and identification. In international relations, trust is “social assets which could change conduct. Trust could change identification and reinforce regulation. Without mutual trust and regional identification, no institution could be materialized no matter how fine it is. There still exists suspicion and distrust between China and Korea, such as suspicions of different ideologies and social systems, worry about China’s rise, fear of the means of reunification, the direction after reunification and so on. China and Korea should eliminate these misunderstandings in bilateral relations and regional security cooperation, reinforce trust and support each other’s peaceful rise and peaceful reunification. Either country’s peaceful rise or peaceful unification not only depends on its own desire but also on the acceptance and support of its neighboring countries, the region and the international community. Finally, we should establish a powerful security institution in East Asia or a collective security in an East Asian regional security community, which is our inevitable choice and long-term goal, as well as the ideal destination.

PART V

The Roh Moo-hyun Government and NEA Cooperation

East Asian Community-Building and ROK's Northeast Asian Cooperation Initiative
The Roh Moo-hyun Administration and the Vision for Northeast Asian Cooperation
Difficulties of Creating a Northeast Asian Community
Promoting Peace in Northeast Asia
Three Pillars of Building a Northeast Asian Community
A European Perspective on the East Asian Community
No Easy Route for Community-Building
The Roh Moo-hyun Government and the Northeast Asia Cooperation Initiative
The Northeast Asian Cooperation Initiative and the Role of the ROK Government
Northeast Asian Cooperation and Community-Building

East Asian Community-Building and ROK's Northeast Asian Cooperation Initiative

Chung-in Moon

I. Introduction

Since the successful launching of the European Union in 1991, regional integration and community-building have become new fads in international discourses and policy. It has not only facilitated the creation of regional preferential trading arrangements such as the North American Free Trade Area (NAFTA) and the ASEAN Free Trade Area (AFTA), but also triggered the proliferation of bilateral FTAs all over the world.

The rise of regional and bilateral economic cooperation can be seen as a response to the forces of globalization. Globalization can be defined as the process of economic interdependence and integration through market forces that have resulted from the development of technology and world capitalism. Global diffusion of production achieved by multinational corporations, integration of movements of factors of production, transnational networks of financial transactions and equity capital, as well as the expansion of international trade – all of which underscore the empirical dimensions of spontaneous globalization¹ – have not always been gentle, beneficial and welfare-maxi-

mizing. On the contrary, spontaneous globalization has entailed new constraints, challenges and penetrating traumas for most countries. It can jeopardize precious national values such as democracy, economic security, social stability and welfare, and state sovereignty.² Since spontaneous globalization can be seen to threaten national economies variously, no country will remain passive in the face of globalizing forces but rather, will attempt to minimize the costs while maximizing the benefits. It is in this context that regional economic cooperation has emerged as one of the viable options to cope with the challenges of globalization. East Asia is no exception to this general trend.

Against the backdrop of this observation, this article not only aims at examining the evolving nature of community-building efforts in East Asia, but also attempts to look into the Republic of Korea (ROK)'s strategy by paying attention to its Northeast Asian Cooperation Initiative. Finally, the article generates some policy implications for Japan-Korea cooperation in building an East Asian community.

II. Geo-economic Changes and East Asian Community

1. Genesis of East Asian Community

From a historical point of view, the East Asian community is not a new concept. The China-centered tributary system was responsible for the creation of a regional economic order of mutual gain that facilitated relatively dense formal or informal trade networks until the

1 Chung-in Moon and Han-kyu Park, "Globalization and Regionalization," in Inoguchi Takashi and Purnendra Jain, eds., *Japanese Foreign Policy Today* (New York: Palgrave, 2000), p. 66.

2 Chung-in Moon, "In the Shadow of Broken Cheers: The Dynamics of Globalization in South Korea," in Aseem Prakash and Jeffrey Hart, eds., *Responding to Globalization* (New York: Routledge, 2000), p. 67. See also James H. Mittelman, ed., *Globalization: Critical Reflection* (Boulder: Lynne Rienner, 1996); Dani Rodrik, "Trade, social insurance, and the limits to globalization," *NBER Working Paper*, No. 5905 (1997).

mid-19th century. Japan's economic expansion in the name of the Greater East Asian Co-Prosperity Sphere was also predicated on the formation of the greater East Asian community. However, its end-result was the expansion of colonial Japan and the outbreak of the Pacific War. It is the collective memory of the historical past that shaped an East Asian vision of community building in the region.

However, forces of globalization and newly emerging patterns of a bloc economy in the late 1980s heightened East Asia's interests in regional cooperation and integration. The first initiative for a formal East Asian regional institution came from Malaysia. In 1990, Prime Minister Mahathir Mohamad proposed forming an East Asian Economic Group, which was quickly renamed the East Asian Economic Caucus (EAEC). What this group was to accomplish was never specified, although the shift in terminology from "Group" to "Caucus" was apparently intended to allay concerns outside the region that the group would become an exclusive trade bloc based on closed regionalism.

Mahathir's proposal had a distinct anti-Western slant, and the EAEC came on the heels of Singapore and Malaysia's promotion of "Asian values."³ Behind Mahathir's proposal also lied Japan's economic dynamism as well as its newly emerging anti-American sentiments, a by-product of growing trade conflicts and its new international status backed up by economic power. In fact, the Plaza Accord of 1985 and subsequently a sharp appreciation of the Japanese Yen was responsible for transforming East Asian nations' perception of Japan's economic power. Past colonial domination notwithstanding, Southeast Asian nations attempted to join the Japan bandwagon in order to maximize their economic benefits. Equally critical was the advent of the European Union and active discussion on the formation of NAFTA.

But Mahathir's proposal never materialized. He was counting on Japan, but Japan was short of taking leadership in this new regional venture. Pressures from the United States mattered. The Japanese government was well aware that its active leadership in the EAEC could

3 Edward J. Lincoln, *East Asian Economic Regionalism* (Washington, D.C.: The Brookings Institution, 2004), p. 155.

jeopardize its relationship with the United States. Along with this, South Korea and other countries in the region were rather reluctant to the idea of forming a Yen bloc under Japan's leadership. In the end, the EAEG proposal was aborted, simply remaining as an idea.

2. East Asian Community and ASEAN plus Three

Although the concept of the East Asian Economic Caucus failed to materialize as Prime Minister Mahathir envisioned in the early 1990s, it resurfaced in the late 1990s in the form of the ASEAN+3 dialogue. The ASEAN+3 proposal was first discussed in the mid-1990s.⁴ The governments involved in the group of ASEAN initially met in advance of the inaugural ASEM. European countries could coordinate their participation relatively easily through the EU, but Asian counterparts lacked such an institutional arrangement and had to organize a meeting to coordinate their views before the ASEM gathering. It is in this context that ASEAN asked Japan, South Korea and China to participate in the preliminary consultative meeting, which took place in the second half of 1995. The ministerial meeting was later supplemented by a summit meeting in Kuala Lumpur on the occasion of the annual ASEAN leaders' meeting in December 1997. After a second leaders' meeting a year later, the group agreed to make the dialogue an annual affair. Since 1999, the scope of the dialogue has expanded to include separate ministerial meetings under the rubric of ASEAN+3 rather than simply as preparation sessions for the ASEM meeting.

Another stimulus for the formation of ASEAN+3 stems from APEC's internal conflicts over trade liberalization. As APEC engaged in more concrete discussions over the scope and depth of trade liberalization as a pretext for the creation of a free trade area, it was subject to a new pattern of polarization. Whereas most East Asian member states found themselves on one side, the United States and other

4 Tran Van Hoa, "Globalisation, Crises and the Emergence of New Asian Regionalism: Genesis and Current Development," in Tran Van Hoa and Charles Harvie eds., *New Asian Regionalism: Responses to Globalisation and Crises* (Houndmills: Palgrave Macmillan, 2003), p. 10.

"Anglo-Saxon" states such as Canada, Australia, and New Zealand, constituted the other. The United States and East Asian countries also differed on how to manage the financial crisis in 1997.⁵ The perception of sharing a common opponent in APEC conflicts also fostered the growth of an at least limited sense of identity among East Asian states, while the incapacity of APEC, owing to these conflicts, to advance pan-Pacific trade liberalization has encouraged some of these states to search for other levels and frameworks within which closer economic cooperation may be explored.⁶

Under the leadership of former President Kim Dae-jung, South Korea made a greater contribution to strengthening cooperation with ASEAN + 3. It played the role of a think tank through the establishment and operation of the East Asia Vision Group and the East Asia Study Group, which are credited with providing key concepts for integration. During the 1999 ASEAN+3 summit, South Korea proposed the establishment of an expert panel, the East Asia Vision Group, as the first step in exploring the possibility of forging a regional cooperation mechanism. This group discussed ways to develop the ASEAN+3 grouping into a regional cooperation forum. A joint surveillance of short-term capital movements and an early warning system in East Asia have also been studied. The group later proposed the establishment of an East Asian Monetary Fund and a regional exchange rate coordination mechanism, with the long-term goal of creating a common currency area. Other recommendations included upgrading the annual ASEAN+3 meetings to an East Asian summit (EAS) and establishing the East Asian Free Trade Area (EAFTA).

Heads of ASEAN + 3 countries, who gathered in Singapore in November 2000, decided to explore the possibility of formalizing their ties and forming an EAFTA. The principal accomplishment of the group came at the finance ministers' meeting at Chiang Mai, Thailand, in 2000. Called the Chiang Mai Initiative, it advocated a series of agree-

5 Richard Higgott, "The Asian economic crisis: A study in the politics of resentment," *New Political Economy*, Vol. 3, No. 3 (1998), pp. 333-356

6 Fred Bergsten, "Towards a tripartite world," *The Economist*, 15 July, 2000, pp. 20-22.

ments among the central banks to lend foreign exchange reserves to one another (“swap” agreements) to help them protect their currencies on foreign exchange markets. A currency swap agreement was signed at their annual summit meeting in Singapore in November 2000, and there has been much discussion about creating an Asian Monetary Fund (AMF) and common currency baskets.⁷ The idea of an AMF was first suggested by Japan in September 1997 by expressing its willingness to contribute more than half of the funds, amounting to \$100 billion. Hong Kong, Taiwan and Singapore also indicated their intent to participate in the AMF. Korea and most other East Asian countries agreed to the idea. Even China, which was against the idea at first, had changed its attitude. Nonetheless, the AMF did not make any tangible progress, due to strong opposition from the United States.⁸

The ASEAN + 3 formula is far short of creating an East Asian Community. But several leaders began to propose the idea of East Asian Community. The former Philippines president Joseph Estrada dreamed of the creation of an East Asian community with a common market and a common currency. And the leaders of 13 East Asian nations agreed at a meeting in Laos in December 2004 to hold the first East Asian summit in Kuala Lumpur in 2005. They set in motion a historic process aimed at creating an East Asian version of the European Union. The 13 nations in East Asia - the 10 members of the Association of Southeast Asian Nations and China, Japan and Korea - have about 2 billion people, one-third of the world population, with their combined GDP accounting for about 20 percent of the world’s aggregate GDP. They also hold almost half of the total foreign exchange reserves of the

⁷ See for example, Y. Wang, “The Asian Financial Crisis and Its Aftermath: Do We Need a Regional Financial Arrangement?” *ASEAN Economic Bulletin*, Vol. 17, No.2 (2000); and Mario B. Lamberte, Melanie S. Milo Ma and Victor Pontines, *NO to YES?: Enhancing Economic Integration in East Asia through Closer Monetary Cooperation*, Philippine Institute for Development Studies, Discussion Paper Series No. 2001-16, July (2001).

⁸ Charles Harvie and Hyun-hoon Lee, “New Regionalism in East Asia: How Does It Relate to the East Asian Economic Development Model?” in Tran Van Hoa and Charles Harvie (eds.), *New Asian Regionalism: Responses to Globalization and Crises* (Houndmills: Palgrave 2003), p. 43.

world. The 13 nations have already laid some groundwork for economic integration. For instance, during their summit in Vientiane, the ASEAN+3 nations signed 35 bilateral or multilateral agreements, including the landmark free trade agreement between China and ASEAN. These agreements are seen as the building blocks for an eventual region-wide free trade area, the East Asian Free Trade Area. The launch of the East Asian Summit signifies the beginning of a transition from the ASEAN+3 arrangement to the East Asian Community.

3. Some Progress in Community-Building in East Asia

Table 1 presents an overview of progress toward a more institutionalized regional economic cooperation in East Asia. China, Japan and South Korea have been active in seeking FTAs with ASEAN and other countries.

During the ASEAN+3 summit meeting in November 2001, China and ASEAN announced that they had decided to create an FTA within ten years. Only one year earlier, China proposed an FTA with ASEAN at the summit meeting with ASEAN leaders. Now China is negotiating with ASEAN to establish a FTA by 2010. Japan also concluded a FTA with Singapore in January 2002, and initiated a joint study on the feasibility of a Japan-AFTA free trade agreement. Japan has also been negotiating, studying or considering bilateral FTAs with South Korea, Taiwan, the Philippines and Thailand. South Korea and ASEAN also agreed to conclude a FTA on goods by the end of 2005 at the first round of negotiations held in Jakarta on Feb. 23-25, 2005. The liberalization schedule with ASEAN for Korea is scheduled to be completed by 2008, two years ahead of China, and is aimed at gaining a foothold in Southeast Asia. South Korea has recently concluded a FTA with Singapore, and is negotiating with Japan, and studying bilateral FTAs with Thailand as well.

China, Japan and South Korea have also started to discuss a Northeast Asian FTA, but no tangible results have been produced yet. A Northeast Asian Free Trade Area (NEAFTA) consisting of China, Japan and Korea, the big three in East Asia, is being studied. At the “ASEAN+3” summit in November 1999, Japan, Korea and China

agreed to launch a joint research project to analyze and discuss the possibility of forming an FTA among themselves. Since then, the three countries have held a summit every year at the ASEAN+3 meetings, and have held regular meetings of their finance ministers.

What factors have contributed to the emergence of a more institutionalized form of regionalism in East Asia? As noted above, East Asia needs its own regional force to counter the EU and NAFTA, as well as NAFTA's possible extension into a free trade area of the Americas (FTAA). Trade diversion effects of free trade areas have been one of the driving forces. If the EU and NAFTA imply growing trade volumes among their members, East Asian nations, which have strong trade connections with both the United States and Europe, would be hurt. Forming a competing East Asian trade bloc would be one way to cope with their losses.

Frustration and anger over the Asian financial crisis is another factor. The way the United States and the IMF handled the Asian finan-

cial crisis in 1997 generated an enormous feeling of unease across East Asia. On one hand, the initial American disinterest in the crisis renewed concerns about the lack of U.S. policy engagement with the region, despite the existence of APEC. On the other, when the IMF became involved, dissatisfaction arose over the stringent conditions attached to IMF stand-by loans.

Mahathir epitomized then prevailing Asian sentiments in the following way: "Great powers were pressing economic openness to the outside world as a means to 'knock them [Asian countries] off' as competitors."⁹ East Asian countries believed that responses of international organizations to the crisis and its emerging problems had been slow and, worst still, inappropriate and ineffective for the crisis economies. The region's resentment over American and IMF management of the Asian financial crisis, coupled with the stronger than expected growth of China and South Korea, profoundly influenced the idea of setting up ASEAN+3 and other regional cooperative mechanisms.

Other factors were also responsible for propelling intra-regional cooperation in East Asia. Stagnation of global trade liberalization, epitomized by the collapse of the 1999 Seattle WTO talks intended to launch a new round of WTO trade negotiations, and the concomitant signs of increasing integration in other regions, of which the most striking manifestation was the launching of the common currency by 11 EU member states, also heightened fears in the region in 1999. It was well reflected in former Singaporean Prime Minister Lee Kuan Yew's following statement: "Asian states must follow the global trend towards regionalization ... because only then could Asia exercise its bargaining power against other regions."¹⁰

<Table 1> Progress of Regional Economic Cooperation in East Asia
(as of February 2005)

FTAs	Progress				
	Discussion	Joint Study	Negotiation	Conclusion	Implementation
AFTA					V
AFTA-China			V		
AFTA-Japan		V			
AFTA-Korea			V		
Northeast Asia (C-J-K FTA)	V				
East Asian FTA	V				
Japan-Singapore		V		V	
Japan-Thailand			V		
Japan-Taiwan	V				
Japan-Philippines			V		
Korea-Japan			V		
Korea-Singapore			V		

⁹ Lincoln (2004), p. 147.

¹⁰ "US presence in E. Asia will become more vital, says SM," *Straits Times*, 23, January 2001.

III. ROK's Vision and Strategy: The Northeast Asian Cooperation Initiative¹¹

The Republic of Korea under Kim Dae-jung was active in promoting the idea of an East Asian community that transcended a loose form of ASEAN + 3. However, upon its inauguration on Feb. 25, 2003, the Roh Moo-hyun government launched an ambitious initiative aimed at creating a peaceful and prosperous Northeast Asia. The Roh government established the Presidential Committee on Northeast Asian Business Hub in order to carry out the initiative by paying greater attention to its prosperity-related tasks, such as the creation of financial and logistic hubs as well as the promotion of cooperation in the areas of business, energy and transportation. An initial emphasis was given to prosperity on the assumption that the realization of prosperity would bring forth positive effects to peace-building.

But after realizing that peace and prosperity cannot be pursued sequentially, the Roh Moo-hyun government took a new initiative, the "Northeast Asian Cooperation Initiative for Peace and Prosperity." The Northeast Asian Cooperation Initiative for Peace and Prosperity (NEACI) can be defined as the nation's long-term strategy and vision for creating peace and common prosperity in Northeast Asia by shaping a new regional order based on mutual trust and cooperation.

1. Background for NEACI

Seizing Opportunities: Northeast Asia is already a significant global economic power, not much less than Europe and North America. Three major nations of the region, namely Korea, China and Japan, account for 20.9 percent of the world's GDP, 23.6 percent of the world's population, 15.2 percent of the world's trade and 38.1 percent of the world's foreign exchange reserves, as of 2003. Moreover, the region has tremendous economic potential. China, with a vast poten-

tial market of 1.3 billion people, is rapidly growing to become one of the world's largest manufacturers. Japan maintains a competitive edge with its cutting-edge technology and capital holdings. South Korea has risen to the global stage with its vitality, dynamic human resources and innovative capabilities. Russia's abundance of natural resources provides an invaluable asset. Vast resources and capabilities all point to a promising future for the region.

The dynamism and interdependence of Northeast Asia is astounding. This region includes nations where economies grow at the highest rates in the world and where potential for expansion is considered the greatest. With the inclusion of Southeast Asia, the volume of trade among East Asian countries has already surpassed that of NAFTA and is now closing in on the EU, indicating that a functional integration has already been achieved. However, this integration has yet to be molded into an institutional framework despite promising signs, including discussions over bilateral and sub-regional FTAs, of moving toward institutionalized economic integration.

Various inhibitors notwithstanding, the security situation in the region has also improved. The dismantling of the Cold War structure, the end of bipolar military confrontation and improved diplomatic relations among countries in the region have been responsible for shaping a regional milieu more conducive to cooperation, an opportunity that should not be left under-utilized.

Finally, the expansion of social and cultural exchanges and strengthened regional solidarity constitute promising opportunities for bolstering cooperation in forming a regional community. For example, the growing popularity of Korean popular culture (*Hanryu*) as well as those of China and Japan as seen in movies, music and fashion has established vital cultural underpinnings of regional exchange.

Coping with Challenges: However, Northeast Asia faces not only opportunities but challenges as well. The Initiative is justified in the need to address newly emerging security, economic and socio-cultural challenges.

Unlike Europe, the end of the Cold War has not brought about tangible peace dividends in Northeast Asia. The region as a whole con-

¹¹ This section draws mostly on Presidential Committee on Northeast Asian Cooperation, *Toward a Peaceful and Prosperous Northeast Asia* (Seoul: Presidential Committee on Northeast Asian Cooperation, 2004).

fronts a number of serious security challenges. The most pressing security concern is the North Korean nuclear problem. Crisis escalation over the Taiwan Straits could endanger overall peace and security in Northeast Asia. Unresolved territorial disputes could become another inhibitor in the region. More troubling is future strategic uncertainty. Major realignments of U.S. strategic posture following September 11, the ascension of China as a global power and Japan's move to resuscitate its military power further complicate the strategic uncertainty of the security landscape in Northeast Asia. Not a single country in the region can escape from the security dilemma.

Beneath a growing intra-regional economic interdependence lies a new pattern of intensified competition. China, Japan and the Republic of Korea compete head to head in terms of export items and destinations, causing a major coordination dilemma. Despite increasing concerns over fierce competition, duplicated investments and surplus capacity, countries within the region lack both the institutional mechanisms to address such problems and a leading nation to furnish public goods for regional economic cooperation and integration. Since the 1980s, most Asian countries, regardless of the level of development, have been moving into more value-added, capital-and technology-intensive industries. Japan, the NIEs, and ASEAN countries have all promoted cutting-edge industries such as semiconductors and computers. As a result, in contrast to the flying geese model, a horizontal, "swarming sparrow" pattern of development has become prevalent, further deepening economic competition and the friction between Japan and its regional economic rivals, based on shifts in comparative advantage.¹²

There also remain socio-cultural challenges. The cultivation of a common regional identity continues to be hampered by lingering parochial nationalism and deepening mutual distrust. Memories of the past characterized by domination and subjugation still haunt people of the region. As the ongoing disputes over historical distortion among

12 Gordon Bernard and John Ravenhill, "Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and Industrialization of East Asia." *World Politics* 47 (1995): pp. 171-209.

Korea, China and Japan demonstrate, the greatest problem the region must be wary of is excessive nationalistic sentiment. Nationalism, the collective memory of the historical past and subsequent cognitive dissonance pose other critical obstacles to region-building in Northeast Asia.¹³ China and South Korea are still haunted by the historical memory of Japanese colonial domination and subjugation. Cognitive barriers emanating from the past history of bitter enmity have forged a national ambiance critical of intra-regional cooperation and its institutionalization.

2. Rationales for the NEACI

The Roh government's NEACI is then designed to maximize new opportunities, while minimizing constraints and challenges. However, the earlier initiative was subject to several critiques.

The first critique centered on its narrow geographic scope, with a focus only on the two Koreas, China, Japan and Russia. In response to this critique, the new Initiative has defined Northeast Asia in both geographic and functional terms. From a geographical point of view, the region includes the two Koreas, China, Japan, Russia and Mongolia. From a functional point of view, however, the United States and ASEAN countries are also included. The functional definition is equally important in consideration of the level of influence the United States exerts over the region, and that of the potential influence of the ASEAN countries in the fields of economy and security. More importantly, since the Initiative is founded on the principle of open regionalism, all countries over the world are invited to join the initiative as strategic partners in opening a new era of a peaceful and prosperous Northeast Asia.

The concept of a "center," which has been associated with the Northeast Asian Business Hub, has also been subject to criticism. Critics contend that based on its geo-political and geo-economic position,

13 Dalchoong Kim and Chung-in Moon (eds.) *History, Cognition, and Peace in East Asia* (Seoul: Yonsei Univ. Press, 1997); Yoichi Funabashi (ed.), *Reconciliation in the Asia-Pacific* (Washington. D.C.: U.S. Institute of Peace, 2003).

the Republic of Korea is unfit to play the role of a strategic and economic center in the region. Such critiques are founded on ill-conceived understandings. The Initiative does not attempt to realign the ROK's position as the center of physical power and the geographic landscape in the region. Rather it attempts to position the ROK as a node of regional economic networks as well as an innovative source of new ideas and efforts concerning the promotion of regional cooperation.

Finally, the Initiative's Northeast Asian focus has been called into question. Previous governments had cast their nets wider. Whereas the Roh Tae-woo and Kim Young-sam governments undertook "internationalization" and "globalization" campaigns, the Kim Dae-jung government aimed at creating an East Asian community by engineering the "ASEAN+3" formula. In contrast, the Roh Moo-hyun government has been accused of being narrow in scope and introverted in regional orientation by setting its geographic focus solely on Northeast Asia. But this critique seems unfair because it is inconceivable to assure an East Asian, Pacific and global reach without settling immediate political, economic and socio-cultural challenges arising from its proximate region, Northeast Asia. Thus, the Initiative is designed to confront and manage proximate and immediate regional issues first, rather than taking a detour course of remote regionalism and globalization. However, this does not mean that the Initiative's regional scope is to be limited only to Northeast Asia. Its Northeast Asian focus will be naturally tied to ROK's currently active involvement in ASEAN+3 (East Asia), APEC (Pacific) and other global multi-lateral cooperative structures.

3. Goals and Visions

The ultimate goal of the Northeast Asian Cooperation Initiative is to allow for a peaceful and prosperous Northeast Asia to materialize by fostering the governance of cooperation and building a regional community of mutual trust, reciprocity and symbiosis. The goal is more than justified in the view of developments in other regions of the world. Regional integration has become a world-wide phenomenon as a way to cope with the challenges of globalization or as a way to

accomplish the globalization process more efficiently. Whereas Europe, North America and even ASEAN are accelerating the institutionalization of integrative processes, Northeast Asia remains far behind. Thus, the Initiative is designed to facilitate the process of community-building in economic and security domains. As both theories and experience demonstrate, nations can enjoy peace and common prosperity by constructing a community of their own. While a regional community benefits the nations in that particular region, a global community benefits nations all over the world. Globalization can be seen as a process of forming a global community to which all the regional communities in the world belong. Northeast Asian nations should join this process by building a regional community first.

The ROK government envisages four visions of a regional community in Northeast Asia.

The first vision is an "Open Northeast Asia." The Northeast Asian community of peace and co-prosperity should not exclude any player from the process of community-building. And it should be seen as a stepping stone toward building an East Asian, Pacific and global community.

The second vision is a "Network Northeast Asia," a community that is interconnected through multiple layers of networks. The Northeast Asian community of peace and co-prosperity emphasizes the importance of overcoming physical and non-physical barriers by emphasizing the necessity of building dense networks of people, goods and services, capital, infrastructure, and ideas and information.

The third vision is a "Participatory Northeast Asia." The formation of a regional community is not conceivable without corresponding people's support and consent at home. At the same time, a viable and lasting community cannot be constructed with government-to-government cooperation alone. Along with governments, citizens as well as non-governmental organizations should participate actively in the process of community-building by promoting exchanges and cooperation as well as creating solidarity among civil societies through common goals.

Finally, the Initiative envisions an "Integrated Northeast Asia," in which mutual distrust, fragmentation, and antagonism disappear, and

a feeling of covariance and a mutually shared common identity lead to the emergence of a new region united as one community.

4. Strategies and Projects

Can the Republic of Korea play a role in realizing the above goal and visions? There are outstanding physical and structural constraints such as limited national resources, an entangled security posture resulting from military confrontation with North Korea and an excessive dependence on its alliance with the United States. It may not be easy to escape from the confining structure of great power politics. Nevertheless, the Republic of Korea can make positive contributions to community-building in Northeast Asia by undertaking the following roles:

First, the ROK can play a role as a “Bridge Building” state. The ROK intends to link continental and maritime powers to create a new order of cooperation and integration. By taking advantage of its geographic position as a peninsular country, the ROK can play the role of bridging the two through the initiation of cooperative initiatives in security, economic, and social and cultural domains.

Second, the ROK can play a role as a “Hub” state. The ROK can contribute to promoting peace and co-prosperity by positioning itself as strategic hubs in selected areas such as peace, financial services, logistics and tourism. The hubs as nodes of intra-regional networks that Korea aims to build can promote peace and common prosperity in the region by serving as a common ground for mutual discourses on pertinent issues, as well as reducing transaction costs and enhancing efficiency.

Finally, the ROK can play a role in “Promoting Cooperation” in the region. Korea strives to function as a catalyst for activating and promoting the process of community-building in Northeast Asia. This could be manifested in efforts to construct a multilateral security cooperation system and to expedite a Northeast Asian FTA. For example, the six-party talks for the North Korean nuclear problem could be utilized to achieve the former objective, and the Korea-Japan FTA for the latter.

In accordance with these objectives and visions, the Initiative will be guided by four operational principles.

- (1) **Simultaneous Linkage:** This principle stresses the need to exert concerted efforts in security, economic and socio-cultural fields in an integrated manner so as to achieve successful outcomes and maximize their synergistic effects. And the promotion of Northeast Asian cooperation should be pursued simultaneously with that of inter-Korean cooperation.
- (2) **Multilayered Cooperation:** This principle emphasizes a multifaceted approach to the establishment of a regional community. Cooperative efforts will be deployed at every level and dimension. Bilateral, sub-regional, regional, and multilateral cooperation will be sought simultaneously. Also governmental and non-governmental approaches will be combined to maximize the efficiency of cooperation. There should also be no restriction on spatial dimensions. South Korea will pursue inter-Korean, Northeast Asian, East Asian, and global cooperation at the same time as it forms a multilayered cooperative structure.
- (3) **Open Regionalism:** The Initiative aims for an “open Northeast Asia,” and thus seeks cooperation from all nations inside and outside the region as long as they support the Initiative. Non-discrimination, reciprocity, and openness will serve as the guiding norms and principles of the Initiative.
- (4) **Community-building:** The Initiative intends to facilitate the expansion of exchanges and cooperation by taking full advantage of regional circumstances. In line with this, the Initiative attempts to establish a viable governance structure of cooperation, which will eventually evolve into a more institutionalized form of community in the region.

5. Major Projects

In order to actualize the Initiative, the ROK government set up a number of projects in the following four areas and is driving them forward: Strategic Planning, Peace-building, Prosperity-enhancing and

Community-building.

It is important to establish medium- to long-term national strategies in embracing the coming Northeast Asian era of peace and prosperity. Four major projects can be identified in this regard:

- (1) Trend Analysis and Forecasting: To better prepare for the future, it is essential to analyze the present situation in Northeast Asia and forecast medium- to long-term trends. Based upon such analyses, blueprints for building an economic and security community in this region should be drawn out.
- (2) Drawing out Security Blueprint: The top priority for security strategies is to draw out a multilateral framework, upon which a security community can eventually be built. Efforts for peace-building in the region will be made with the following guidelines: sustaining the ROK-US alliance, promoting comprehensive security cooperation in Northeast Asia, strengthening the cooperative relationships with China, Japan and Russia, and ultimately establishing a stable inter-Korean peace regime.
- (3) Developing Regional Economic Cooperation Strategy: It is necessary to develop a blueprint for a medium- to long-term regional economic cooperation strategy. In connection with this, policy options for shifting intra-regional division of labor and industrial restructuring, strategies to build viable FTAs and measures to strengthen economic hubs should be sought.
- (4) Building Domestic Consensus and Regional Solidarity: It is also critical to win public support and to expand grassroots networks among countries in the region. Without public understanding and participation, the Initiative cannot be effectively realized. The government is making efforts to establish various outreach programs to win public support and to cultivate transnational grassroots solidarity.

To safely ensure stable regional peace, the complimentary processes of peace-keeping, peace-making and peace-building must be implemented simultaneously. Peace-keeping is to prevent war through military deterrence and alliance. Peace-making is to manage unstable

peace through preventive diplomacy, confidence building measures (CBMs), arms control and disarmament. However, peace-keeping or peace-making cannot assure a stable and lasting peace. A stable and durable peace can be secured only when a community of security as in today's Europe is formed. This is the peace-building operation to which the ROK government will pay its utmost attention.

- (1) Building an inter-Korean peace regime: Building peace on the Korean Peninsula is the foremost goal as well as a crucial precondition to maintaining stable peace in Northeast Asia. The ROK should be devoted to finding medium- to long-term strategies to promote inter-Korean exchanges and cooperation, institutionalize military confidence building measures between the two Koreas, and settling the Korean division and conflict through the signing of a peace treaty. In this connection, it is necessary to oversee the progress of the Gaesong Industrial Complex and Mt. Geumgang tourist project, to facilitate non-governmental exchanges and cooperation with the North and to facilitate overall efforts to find solutions to the North Korean nuclear crisis.
- (2) Enhancing Cooperative Diplomacy with Four Major Powers: Peace and strategic stability in the Korean Peninsula and Northeast Asia is closely intertwined with cooperation and rivalry among four major powers: the U.S., Japan, China and Russia. Consequently, strengthening cooperative diplomacy toward these countries at both governmental and non-governmental levels is an essential prerequisite for a peaceful and prosperous Northeast Asia.
- (3) Promoting Multilateral Security Cooperation: As conventional bilateral diplomacy alone cannot assure peace and stability in Korea and Northeast Asia, coordinated security efforts must be undertaken by the members of the region for the shaping of common security. In this regard, it is important to formulate strategies to promote multilateral security cooperation in the region. Several options are now under consideration, such as measures for transforming the six-party talks for the North Korean nuclear crisis into a viable and lasting multilateral security regime, insti-

tutionalizing the China-Japan-ROK summit apart from the ASEAN+3 process and initiating a Northeast Asian defense ministers' meeting. To facilitate this process, it is in order to strengthen bilateral and multilateral military cooperation and expand confidence-building measures such as joint naval exercises, exchange of military personnel and coordination of training programs among the Northeast Asian countries. The government is also deliberating on the creation of a Northeast Asian peace hub in Jeju Island by upgrading the existing "Jeju Peace Forum" and establishing a "Northeast Asian Peace Center" in Jeju.

In order to enhance common prosperity in the region, the ROK has undertaken a hub strategy, focusing on financial services, tourism and transportation, and logistics, which would be beneficial not only to Korea, but also to all other countries in the region.

- (1) **Creating Banking and Financial Hub:** A financial hub will be constructed in the Seoul metropolitan area with priority given to the asset management sector. The strategy for fostering the financial hub in Seoul will consist of developing asset management services, including pension funds and foreign exchange reserves as the key drivers to bring about the influx of high value-added skills and human resources, and strengthening specific financial services such as infrastructure development and restructuring. The development of domestic financial markets including the fixed income securities market, equity market and foreign exchange market will be promoted along with the globalization of the financial regulatory and supervisory system.
- (2) **Creating Logistics Hubs:** In order to build a logistics hub, it is necessary to embark on a number of projects, including institutionalizing centralized logistics facilities, fostering logistics companies, cultivating a competent workforce, increasing the functionalities of airports and harbors and improving international logistics support systems. Currently, the ROK government has designated Incheon, Gwangyang, and Busan as future logistics hubs.

- (3) **Inducing Strategic Foreign Direct Investment:** With regard to strategic foreign direct investments (FDI) and in connection with the development of the hubs, special attention is being paid to the inducement of foreign capital to logistics hubs and an international tourist hub in the southwestern region. It is important to find ways to improve business and living conditions for foreigners, enhance global recognition of the country's image and investor relations operations, and streamline the administrative process for the inducement of FDI in a more efficient manner.

The ROK government is willing to take the lead in providing collective goods in the region by initiating cooperative projects that can be conducive to building a Northeast Asian community. They are: energy and transportation cooperation, environmental cooperation, cooperation for economic development in the region and social and cultural cooperation. Such cooperative projects are expected to produce positive spill-over effects on forming a governance of cooperation and community-building.

- (1) **Energy Cooperation Project:** In light of the need to secure a balance between the regional supply and demand of energy, the construction of a natural gas pipeline network and the joint exploration and development of oil fields are placed at the top of the agenda. In the long run, cooperation for supplying energy to North Korea and the development of regional energy sources such as Siberian hydroelectric power may also be considered. It is also important to promote cooperative efforts among energy-consuming countries to reduce the Asian premium of oil and gas import prices and to secure ocean transportation routes by developing a new competitive oil market in the region.
- (2) **Transportation Network Cooperation:** The South/North Korean railway project is currently under way in order to reconnect severed lines across the Demilitarized Zone (DMZ). The inter-Korean railway system (or Trans-Korea Railway, TKR), once connected with the Trans-Siberian Railway (TSR), Trans-China Railway (TCR), Trans-Mongolia Railway (TMGR), Trans-

Manchuria Railway(TMR) and other continental railways, should help Korea overcome its geographic isolation and become a logistics hub of Northeast Asia. Essential elements of this project include evaluation of the current condition of the railways on the peninsula, creation of an international consultative mechanism on the Northeast Asian railways and participation in the international institution and multilateral cooperation.

- (3) Promoting Environmental Cooperation: Northeast Asia is not only faced with cross-border environmental problems such as industrial pollution, yellow dust and acid rain, but also the increasing threat of marine pollution. Although a number of regional bodies (governmental, semi-governmental or non-governmental) exist in Northeast Asia to promote cooperation on environmental issues, tangible progress has yet to be made. There seems to be a considerable need to strengthen institutional frameworks and improve, in particular, the efficiency of these existing regional bodies. The Korean government is willing to take a leadership role in meeting such necessities.
- (4) Fostering Social and Cultural Cooperation: To build mutual understanding and trust in Northeast Asia, intra-regional social and cultural exchanges are imperative. Unfortunately, we cannot deny that Northeast Asia is still replete with misunderstandings and distrust from a history of conflict, occupation and ideological confrontation. Accordingly, the concept of a Northeast Asian community that Korea wishes to realize is not simply focused on economic integration, but also on shared values and the vision of a common future, as is the case with the EU. In this regard, the removal of mutual distrust among the countries in the region is an urgent and paramount task. Cross-border exchanges should be fostered not only at the governmental level but also among NGOs and professional associations in such areas of society as culture, art, education, sports and tourism. The Korean government intends to assist in forming a Northeast Asian cultural identity, networking Northeast Asian NGOs and nurturing future regional leaders by promoting youth exchange programs.

IV. Conclusion

The Republic of Korea's strategy for regional community-building is largely focused on Northeast Asia. But this should not be interpreted as a move to get away from the process of building an East Asian community. We will continue to harmonize ASEAN +3 with the idea of a Northeast Asian community, which can in turn expedite the process of East Asian community-building. We strongly believe that a simultaneous pursuit of the two fronts can create a greater synergy effect. However, it should be kept in mind that the creation of a true East Asian Community cannot be materialized in the form of a detour regionalism involving ASEAN + 1 (China, Japan, South Korea respectively) or a loose conjugation of ASEAN + 3. Efforts to form a governance of cooperation and integration in Northeast Asia, especially among China, Japan and South Korea, should be pursued in tandem with ASEAN + 3. For, it is quite inconceivable to imagine an East Asian community without closer cooperation among China, Japan, and South Korea. Judged on this, the ROK's Northeast Asian Cooperation Initiative can provide critical momentum for creating a regional order of cooperation and integration in Northeast Asia in particular and East Asia in general.

The Roh Moo-hyun Administration and the Vision for Northeast Asian Cooperation

Chul-Hyun Kwon

First and foremost, it is a great honor and privilege to join world renowned scholars and leaders here in this Jeju Peace Forum. And I would like to extend my gratitude to the organizer for allowing me this opportunity to take part in the forum.

Dr. Zbigniew Brzezinski, a U.S. international politics expert, stated in his book *“Grand Chessboard,”* published in 1997, that “Eurasia is a grand chessboard on which the struggle of the U.S. for global primacy continues to be played, and the struggle is closely related to geostrategy in a sense that it requires strategic management of geopolitical interests.” I believe Dr. Brzezinski’s diagnosis is appropriate. And perhaps, Northeast Asia best fits the description of Dr. Brzezinski’s chessboard. The region indeed is a complicated chessboard not just from the perspective of the U.S. but also from that of Northeast Asian countries, including Korea.

As you are well aware, Northeast Asia was at the center stage of the Cold War. Even in this post-Cold War era, not only do the remnants of the Cold War still linger, but also there are ample uncertainties that could turn the “Cold War” into a “Hot War” at any time due to the North Korean nuclear issue. Besides, in spite of their common denomi-

nators, such as the culture of Chinese characters and Confucianism, Korea, China and Japan historically harbor resentments toward each other, which still keep them from mending their relations. Furthermore, fierce competition between China and Japan over regional hegemony seriously undermines the stability of the Northeast Asian region.

The most important point would be the fact that the U.S.’s global strategy or Northeast Asian strategy determines to a considerable extent the security and dynamics of the Northeast Asian region. Perhaps the “tug of war” between Washington and Pyongyang over the North’s nuclear program and the subsequent complicated network of relations among nations best explain the kind of chessboard Northeast Asia has become. Korea, in particular, has maintained a firm alliance with the U.S. in order to stay afloat against the waves of inter-Korean division and the Cold War, and the alliance has proved to be an important basis for Korea’s successful industrialization and democratization.

At a certain point, however, skepticism began to grow within Korea about whether the U.S. was in fact on Korea’s side. The unfortunate deaths of two middle school girls caused by a U.S. armored vehicle in 2002 and a series of incidents thereafter, including the decision of the U.S. jury that found the defendants innocent, fanned anti-American sentiment among the Korean people. As the civil governments born on the heels of democratization took into account public opinion and adapted to the changes of a new era, rifts started to appear in the once rock-solid Korea-US ties. This, of course, is connected to the changes in the U.S.’s global and Northeast Asian strategies.

At a time like this, President Roh Moo-hyun’s administration has declared a “Vision for a Peaceful and Prosperous Northeast Asian Era” and pronounced his idea of a “Balancer in Northeast Asia” both in his address on state affairs marking the second anniversary of his inauguration on Feb. 25 and in his address at the 40th commencement and commissioning ceremony of the Korean Military Academy on March 22. In the graduation ceremony, President Roh stated, “Throughout history, Korea has never invaded a neighboring country or inflicted damage to others. It is more qualified to talk about peace than any

other country.” This perhaps best explains the makings of President Roh’s theory of “Balancer in Northeast Asia.”

While the theory drew nothing more than a lackluster response from neighboring countries, it ruffled some feathers inside Korea. Opponents to the idea did not necessarily disagree with the purpose itself but were concerned the theory could spark unnecessary conflicts with neighboring countries, especially with the U.S. There were some heated debates over the concept of the idea too. But if we take the statement as is, then we can come up with an interpretation that there is no country both present and past that wishes for peace as dearly as Korea does, and thus Korea is the country cut out for the job of settling peace in terms of qualification and persuasiveness. In other words, President Roh’s remarks intended more of a strong resolve to turn Korea into a conflict mediator in the region through balanced diplomacy rather than into a powerful nation that balances regional power. In this context, I agree in principle with the balancer theory of the Roh Moo-hyun administration.

It is needless to say, however, that saying is one thing and making it actually happen is another. Plus, it is uncertain whether the neighboring countries will accept Korea playing such a role, and even if they do, whether they will continue to be supportive of Korea’s decision even when the idea is translated into concrete actions. The U.S., in particular, has its own Northeast Asian strategy designed to be led by itself and has Japan on its side as a major partner. And because the Korea-US alliance is not as active as before, many people are skeptical about the feasibility of the idea. Although balanced diplomacy may be the right way to go in principle, many still voice worry for it could inevitably bring certain changes to the longstanding Korea-US alliance. And the uneasiness the Korean people have had toward President Roh’s foreign policy, particularly the U.S. policy that existed before the balancer theory came into being, makes it difficult for them to have a balanced perspective toward the theory.

Another factor that limits Korea’s leeway is, of course, North Korea. South and North Koreans are the same people with the same ancestors. At the same time, however, the two were at odds during the Cold War era, each siding with the USSR and the U.S., and tensions still

loom large on the Korean Peninsula long after the detente. Although a new order was expected on the peninsula with the historic inter-Korean summit in 2000, fundamental progress has yet to take place due to North Korea’s nuclear ambition. This clearly testifies to the fact that the challenges the Korean Peninsula faces concern not just the two Koreas but the international community as a whole. Furthermore, it is an important reminder to Korea that studying and pursuing “diplomacy in an era of division” is as significant as “unification in an era of division.”

Whether it is the balancer theory or others, the idea that countries in the region should decide the order and fate of Northeast Asia is in principle correct. There may be little to worry about in the case of Korea since, as President Roh has stated, Korea is a country that has revered and safeguarded peace. As far as China and Japan are concerned, however, their past track records and current national power foretell that there is every possibility that they will break the order and balance of Northeast Asia. In this light, the region requires a balancer, the role that the U.S. and the former Soviet Union played during the Cold War era and of which the U.S. took sole charge thereafter. Against this backdrop, the role of the U.S. bears particular significance to Korea. But for the U.S. to win the support and cooperation of Northeast Asian countries, it needs to revamp its image of a unilateral and hegemonic country and recreate itself as a partner ready to change the post-Cold War international order for the better in collaboration with the countries in the region.

International politics is deeply correlated with domestic politics. In other words, the order in Northeast Asia is subject to change according to internal matters that affect the policies of each nation. As competition intensifies, there is a high likelihood that nationalism would rear its ugly head again in the countries in the region. And if nationalism grows extremely exclusive then it will be unavoidable but to have escalating tensions in the region. In this sense, it is important that each and every government guard against the danger of populism and, above all, to make diplomatic efforts.

As the cases of former governments clearly show, it is of primary importance to Korea how it sets its “post-Cold War diplomacy.”

Although Korea's diplomacy can be said to have progressed over the years, it still needs to be upgraded to a level comparable to its overall national competitiveness. No doubt it is a daunting task for the Korean government to work out diplomatic policies that are as far-reaching as to include issues on national division, the traditional Korea-US alliance, inter-Korean reconciliation and changes in the post-Cold War Northeast Asia. And this is where the critical thinking and insight of the president and the leadership in the government come in.

Located in the center of the so-called oceanic and continental powers, Korea has suffered numerous invasions. Not only that, it went through a tragic fratricidal war and remains a divided country even today. It is amazing, therefore, to see Korea stand on its feet side by side with other countries on the global stage. The Korean people are rightly proud of such a fact, and it is the basic reasoning of President Roh to enhance the country's role in the international community based on such confidence. In view of this, neighboring countries should understand and acknowledge that Korea has an important role to play in creating a reconciliatory and cooperative Northeast Asian community rather than being dismissive of its initiative. The Korean government, for its part, needs to make substantial contributions to the security of Northeast Asia based not on fascinating rhetoric but on dexterous diplomacy.

I would also like to add that as much as the cooperation in Northeast Asia is important, so is to have a broader perspective and to work out measures to seek cooperation of the whole of East Asia, including ASEAN countries. Since it is a fact that there is an invisible barrier between Korea, China and Japan that makes it difficult for the countries to approach each other, there needs to be an East Asia wide network to ensure cooperation in Northeast Asia.

Before closing, I sincerely hope the messages and ideas presented and shared in this Jeju Peace Forum would eventually make significant contributions to the efforts to advance the peace and development of Northeast Asia.

Thank you for your attention.

Difficulties of Creating a Northeast Asian Community

Hyeong-joo Kim

Thank you, Mr. Chairman. I'm very pleased with your very respectable guests, and I had a very good chance to learn about the peace and prosperity problem in Northeast Asia.

First of all, I think about 10 years ago, Samuel Huntington talked about "the clash of civilizations." I think Northeast Asia, this area, is a field of very high conflict and clash of civilizations. America- and Europe-style culture and European civilization have very highly covered this area because of the economic scale. And the stage is the global stage. Also Chinese civilization and Japanese civilization have very typically existed in this area. Russia is also two types of civilization — European civilization and Asiatic civilization.

So the vision of common prosperity is not so easy to approach and achieve comparative to the Europe community. I think, yesterday I read four papers. I am myself very sorry that I didn't sincerely prepare for the discussion. I read four papers, and I found two countries very strongly support the common vision — Korea and Japan. And China about, I think, 50 percent, and as for Russia and DPRK, it is not so easy to participate in our common vision. And also America wants to engage and participate in this common vision. No, unfortunately, the

USA is not located in this area.

But I want to say, Dr. Lee talks about the divide between common vision and national development strategy. But unfortunately, how can we persuade and explain about our government's common vision on the Northeast Asian common prosperity issue? Unfortunately, I am myself a lawmaker. In each and every country, a lawmaker defines regularity and about national interests. This is a very big barrier, I think. So it is not so easy to achieve the common goal, I think, the first one.

The second one is Russia is a power — power is located in St. Petersburg and Moscow. They are European cities. They cannot participate in the wholly Asian country groups. Above all, Suslina speaks about the process of the global market. They have not prepared fully for the global market, and they don't know why they have to cooperate and fully participate in the Northeast Asian community-building. So it is another very big problem, I think.

In China, I think the room for cooperation is not so big because of the population problem and another - the possibility of a legitimacy crisis according to economic achievement and the democratic problem. And the human rights problem will be a barrier for the more overseas or global-scale problem-solving. Also we have to investigate it. And lastly, the U.S. government and the U.S. business community, they want to participate in this area and want to engage, but unfortunately, how do we deal with the U.S. government and the attitude of the business groups of the U.S.? It is a very big burden for our Northeast Asian countries.

So I think more realistically we have to deal with this goal. For example, Chinese and Japanese participants suggested energy and environment issues. I think I absolutely agree with that. That is an important point of starting. Energy and environment cooperation is the first step. And lastly, I think Korea and Japan very strongly support the common vision. I want to ask our two nations why we do not start the building of a bridge or undersea tunnel between Korea and Japan. It's now a very realistic agenda for the two states. Unfortunately, why do we not start now? Thank you very much.

Promoting Peace in Northeast Asia

Sun-ho Yoo

I would like to thank the organizers for hosting a forum at this appropriate juncture when the Korea-U.S. summit meeting is taking place to resolve the North Korean nuclear issue, which is crucial for peace in Northeast Asia. I believe that the topic proposed by Prof. Moon Chung-in is an obvious and timely one.

The Cold War confrontation structure of the U.S. and Japan vs. China and Russia - that dichotomous confrontation structure - has collapsed. The six nations of South and North Korea and the countries that surround the Korean Peninsula are already too deeply involved in economic and cultural cooperation. Therefore, we can no longer work toward peace in Northeast Asia through such a simplistic structure.

However, despite this situation, progress has been slow in establishing institutions to deal with issues such as arms reduction to guarantee peace and prosperity. With this background, I believe that it is both practical and necessary for Korea, whose commitment to peace is undoubted, to propose the "balancer" theory.

Although the issue was controversial in the Korean political scene, I want to state that it contains our expectation that the United States, along with Korea, will play the role of a "balancer" in Northeast Asia.

In the past, the United States contained China through an alliance with Japan and served to stifle an arms race between China and Japan through its presence on the Korean Peninsula.

Going forward, I believe that the value of peace espoused by the United States only becomes stronger as it warms to Korea's proposal, and if the United States accepts the role of a "balancer" in Northeast Asia along with Korea, then I believe that the Northeast Asia peace and prosperity initiative proposed by Prof. Moon Chung-in will be within our reach soon.

Korea has never invaded another country and has no intentions to do so in the future, while the United States is not located within this region and is relatively free from suspicions of pursuing regional hegemony. The two nations have these advantages.

I would also like to mention that after President Roh Moo-hyun proposed the initiative, there were still tensions arising from the North Korean nuclear issue and distortions of history through China's Northeast Project. Korea has also had tensions with Japan over history issues and the Dokdo territorial dispute. Korea is also currently going through the process of adjusting its alliance with the United States.

These are conflicts that were concealed in the past but are now coming into the open all at once, and they are not being solved quickly. As a result, cooperation toward peace is progressing slowly. I believe that we must expand diplomatic contacts and strengthen our diplomatic ability to solve these problems. At the same time, I feel a need to expand civilian exchanges to pursue a two-track course that can bolster these diplomatic efforts.

Three Pillars of Building a Northeast Asian Community

Jeffrey Jones

Thank you very much. I'm pleased to be here. A visionary future is based not upon the reality of the present but upon the reality of what can be. And the reality of a Northeast Asian community is something that can come about if each of the nations in the region — to include the United States, Japan, China and Korea — establish and work together to formulate policies that will cause the governments and each of the peoples of the nations to work together to achieve that reality of what can be.

Clearly, there are many obstacles to the achieving of a community in Northeast Asia. Most of those obstacles are based upon mistakes of the past, not upon the reality of what can be achieved in the future. And if we can learn to overcome the mistakes of the past and focus on the future, then this new reality can be achieved.

And I would like to suggest that there are three primary pillars that governments and hopefully the people can focus on as they work to formulate and create policies that can help to achieve this vision.

Those three common pillars — I think the first is to recognize and secure the independence and stability of each participant in this community. The problems of the past focused on this problem. And if we

will recognize and secure the independence and stability of each nation and their independence and stability in terms of energy, security and economy, then we can work toward building this kind of visionary future.

Second, I think we can recognize that there is a common cultural heritage, common cultural values and certainly common human values in this community, which is based upon human relationships, personal commitment to families, personal commitment to education and a building of community.

Third, there is a common need and objective to improve, to achieve and to secure the prosperity and economic strength of each country. These are the three pillars that can build a common community in Northeast Asia.

Certainly, the regionalism and nationalism of the past can be overcome by focusing on these three common pillars and can lead to building cooperation that will secure the independence, the security and the economic prosperity of each participant.

And by focusing on, I think, these three pillars, we can solve the nuclear problem in North Korea. After all, North Korea seems to have pushed their nuclear agenda to secure their own independence and security. And I think by ensuring the independence and security of each participant in the community, we can ensure that North Korea need not have a nuclear agenda.

Clearly, if you look at the economies in the region, these are the largest economies in the world and will continue to be so into the future. This is the center of real technology, a center of real education, and that permits growth and prosperity. And if the nations will focus on these three areas in pursuing common policies and objectives, I for one am absolutely convinced that a Northeast Asian community can be a reality not simply a vision.

A European Perspective on the East Asian Community

John Swenson-Wright

My thanks to the organizers for the privilege to participate in this conference and to make my remarks to such a distinguished audience and my fellow panelists.

I found Professor Moon's paper fascinating and stimulating, as well as suggesting a number of potentially very positive scenarios for the future.

I'd like to make a number of points: some speculative, some slightly polemical - all confined, because of time constraints, to the rather amorphous sphere of "soft" rather than "hard power."

First, if I may begin with what is really a question, couched as an observation. Professor Moon remarks early on, on page 2 of his paper, that "It is the collective memory of the historical past that shaped an East Asian vision of community building in the region."

It is true that the past has often been a spur to regional cooperation and common purpose. At the same time, as we all know, the past also continues to dog relations between countries in the region. Sometimes, the collective memory breaks down in conflicting personal and rival national interpretations, as we have seen in the running debate over textbooks and competing territorial claims, between China, Japan and

South Korea. In this regard, perhaps the Roh administration should be singled out for praise and commendation in leading the way by grappling so decisively with its own past — in particular by steadily declassifying more of its government records — I'm thinking here of the decision last year to release important government files relating to the 1965 normalization talks between Japan and South Korea and documents relating to the assassination of the wife of Park Chung-hee in the early 1970s.

Quite separate from the vexed question of the legitimacy of claims to particular territories, such as the Takeshima/Dokdo dispute, the willingness of the Roh administration to commit to open and transparent government as one of its principal policy goals provides an important example to other countries in the region. In particular, I suspect that this process of declassification, if it continues, will have consequences domestically that may be hard to address or manage, not least because it may mean that many Koreans will be forced to consider the role and responsibilities of themselves and their parents during the long period of Japan's colonial control of the peninsula. Paradoxically, this may create a more nuanced and reflective view of the past that may open the door to historical reconciliation between the ROK and Japan. I'm reminded here of a European parallel — not an original observation on my part, but a point that many others have made in different circumstances. The example I have in mind is contemporary France and the consequences of a more open debate about the German occupation period, a debate that has challenged notions — some would say 'myths' — of who resisted, who collaborated, who merely compromised with the governing authorities. We can see this in earlier revelations regarding the role of former President Mitterand and his connection with the Vichy government. If a similar process were to occur in Korea, would it lead to a less black-and-white, less Manichean view of the past...and by extension a less instinctively critical view of the actions of all Japanese during the colonial period - opening the door perhaps to deeper understanding between the people of the two countries? Whatever the outcome, I think the Roh administration deserves great credit for taking this important, but difficult step of opening up its government files.

Second, I'd like to venture an opinion rather than posing a question:

In building a new East Asian community, we should, it seems to me, be careful to avoid the temptation to assume that the choice is a zero-sum one between bilateralism and multilateralism or that one particular type of institutional architecture needs to be privileged over another. In this respect, I feel that the example of Japan is instructive. IR specialists like to talk of the country's post-war 'dual hedge' between its reliance on the United States on the one-hand and its UN-centered diplomacy on the other. In pursuing both options simultaneously, Japanese leaders appear to have broken free from the persistent prewar dilemma of choosing between Asia and the West- the familiar Datsu-O/Nyu-A debate. One could perhaps go further and see in Japan's regional diplomacy, particularly toward Southeast Asia, more evidence of the country's at times successful attempt to promote regional stability via a variety of overlapping and complementary initiatives, embracing cooperative and collective security, and regional, sub-regional and trans-regional initiatives. Critics have charged that this suggests a lack of focus and the absence of any strategic thought, but this seems overly harsh.

In combining such approaches, Japan has been pursuing a "bridge" strategy — immortalized in the words of Nitobe Inazo, the 19th century Japanese thinker who studied at Johns Hopkins University — my own alma mater. This bridging role — in effect acting as a mediating influence between potentially rival powers — is perhaps not that fundamentally different from the "balancer" concept that the Roh administration is pursuing by developing its links and policy dialogue with China and moving away from a full-blown embrace of security cooperation with the United States. In turn, this raises the question of what is likely to make such an approach successful. A necessary, although perhaps not sufficient, requirement is personal engagement, individual human contact and educational exchange. Just as Japan was able to, and continues to, capitalize on its long history of educational exchange with the United States, so too the ROK is able to credibly present itself as a pivotal player in the region in part by virtue of its expanding educational links with China. The recent figures are instructive in this regard. In 2003, 77,682 foreign students were study-

ing for advance degrees in China - of these, 35,363 came from South Korea; 12,765 from Japan, and remarkably, from United States, only 3,693. If we're trying to identify future trends, this seems undoubtedly an important figure to watch, suggesting one reason - perhaps not a decisive one - for suggesting that the United States' ability to play a role - both in leading and equally important - in understanding the region may be diminishing.

Third, focusing on educational exchange leads me on to my next point. And, here, I hope you'll forgive me for making a Eurocentric case. Part of Prof. Moon's paper rightly tackles the vexed and troubling question of defining the region. We all know of the difficulties of drawing precise geographical and cultural boundaries in East Asia - given the prevalence of crosscutting territorial and boundary disputes and the ethnic and linguistic diversity of most states in the region (with Japan and the ROK as perhaps the two main exceptions where ethnicity is concerned.) Faced by such problems, some have suggested that in defining the appropriate actors for inclusion in the region, we should concentrate instead on functional definitions - stressing the importance, for example, of trade, investment and security interdependence - typically in a way that makes the case for a continuing American role in the emerging East Asian community. However, the functional argument - when taken further - also opens the door for a European role in peace promotion and conflict resolution. And here, I suppose - and not too surprisingly given my academic background, I'm thinking most immediately of the potential power of education as a means of resolving conflict and promoting peaceful change. As I'm sure many of you are aware, there are a number of European educational institutions that over the past few years have opened their doors to visitors from North Korea - a process that has been made easier by the establishment of diplomatic relations between the North and most of the states of the European Union (France being the main exception.) Educational exchange is perhaps one of the least contentious and - at least in the medium to long-term - most effective ways of bringing the North Koreans back in from the cold, particularly now that there are signs that the DPRK leadership is willing (money permitting, of course) to send large numbers of students overseas for undergraduate

training - all in a way that does not seem that dissimilar from the experience of China 25 or 30 years ago. Europe's potential and actual comparative advantage in this regard seems self-evident, particularly given the immediacy of the local security challenges in the region and popular suspicion of the North (especially in Japan), that stands in the way of Asian-based academic exchanges. In Europe, the Stockholm School of Economics has provided valuable training in market economics for North Korean officials, Switzerland and Germany have both been involved in academic exchanges, even my own East Asia Institute at Cambridge has over the past year been involved in serious discussions to bring students, from a range of academic disciplines, to study at our university. In looking to the future, it would seem sensible to encourage such initiatives, by securing support from institutions and organizations both within and outside the region.

Finally, of course, moving such initiatives from the realm of rhetorical commitment to practical reality, takes resources - both financial and political. Sadly, on both counts, there appears to be an all-too-tangible gap between the will of interested parties in Europe and their respective governments. While both Koreas have recently turned to European states as potentially influential interlocutors and intermediaries in resolving the current deadlock over the six-party talks, local European governments seem disinclined or powerless to act, despite increasing public pressure from the European parliament for Europe to play a more high profile role in brokering a resolution of the current nuclear talks - if only because of Europe's past financial commitment to KEDO-the Korean Peninsula Energy Development Organization. Here, speaking purely from the perspective of the United Kingdom, one of the shortcomings is the relatively marginalized status of Korean studies in my own country. While the Labour government has recently acknowledged the strategic importance of Chinese and Japanese studies as future areas of academic development, it is striking how little attention is paid to Korea, despite its pivotal role in the region. It may well be that Korean interests - either governmental or private sector - need to act as catalysts, providing the encouragement and financial support that are necessary to keep our subject alive and ensure a future generation of bona fide Korea specialists.

Why does Europe matter? Well, not only as an intermediary — or to put it slightly differently, a ‘third way’ — to borrow a much overused phrase — out of the current diplomatic impasse, but also because it can serve as a powerful example. The recent French and Dutch referenda bring us back to a powerful and unavoidable reality — namely the importance of maintaining a connection and a dialogue between governing elites and the people they govern. The European example, in the last few weeks, seems to have demonstrated unquestionably the importance of rooting regional initiatives securely in some sense of local legitimacy — precisely the sort of “participatory Northeast Asia” that Professor Moon talks about in his paper. I’m not sure how this can be achieved. In Europe, we have witnessed a debate over whether the abortive constitution is indeed a constitution, a founding document, a charter sketching out the future, or merely a treaty. Does East Asian community building require something comparable — a collective agreement or common statement of purpose that goes beyond the imaginative brokering of deals between elites (with varying claims to legitimacy in the eyes of their own public)? Does South Korea’s own experience, most importantly perhaps the powerful example of the role of the internet generation in determining the outcome of the last presidential election, have anything to teach us about the importance of popular participation on legitimizing government decisions and initiatives? I’m not sure I know the answer, but it seems to be a question worth posing not only in Korea, but more widely throughout the region.

No Easy Route for Community-Building

Charles E. Morrison

At the outset I would like to express my appreciation to the Jeju provincial government and the other organizers of the Third Jeju Peace Conference for their invitation. I also appreciated and enjoyed the presentation by Dr. Chung-in Moon, which provided in his characteristic fashion such a comprehensive and thoughtful exposition of the Northeast Asia Cooperation Initiative. As Dr. Moon outlined, the NEACI provides a long-term vision of a peaceful, prosperous community of Northeast Asian societies, which share a common vision of their future and which interact harmoniously with broad East Asian, Asia-Pacific and global communities as building blocks of global order. The question, always, is how to get from here to there. All would agree that there is no easy and direct route.

North American and Northeast Asian thinking about peaceful, prosperous international communities is often formulated with the successful model of Europe in mind. Indeed, Dr. Moon refers to the European Union in the first sentence of his paper, and later he describes last year’s agreement to have an East Asian summit as setting in motion “a historic process of creating an East Asian version of the EU.” Since an East Asian political union is nowhere on the horizon, I often think that

the broader Atlantic community encompassing Western Europe and North America may be a more likely if less concrete and formalized model. But whether we look at only Western Europe or the broader North Atlantic world, we refer to the same historic achievement. An area that was a cockpit of national rivalries and world wars in the first part of the 20th century became a “zone of peace” within which military conflict had become unimaginable in the latter part of the same century. This certainly stands as one of the greatest accomplishments in the international relations of the past century, and if that zone can be extended across the Pacific or duplicated in East Asia, it will be a signal accomplishment of the first part of the 21st century.

This is what I believe the NEACI — as well as the ASEAN + 3 and APEC processes aim to achieve. I suspect that the European/Atlantic model has a special attractiveness for Koreans not just because it ended the historical large power conflicts in Europe that had claimed so many smaller countries as victims, but because it was also the context in which Germany was reunified. But how did it happen and to what extent is it really relevant to Northeast Asia and beyond?

Several features of the European/Atlantic model stand out. First, there had been a long historical and cultural interaction among European countries, whose civilization was extended into North America. Second, the disastrous wars and depression of the first half of the last century vividly demonstrated the bankruptcy of the older nationalistic rivalries. Third, the extraordinarily leadership in continental Europe based the new community around cooperation between former rivals France and Germany. It also had strong support from the United States, both because of the previous failures and because of the new Cold War rivalry. Since the United States undertook the primary burden for security for Europe, it was not an issue for French-German rivalry. Indeed, the Soviet threat further united European sentiment and assured continuing U.S. support. Fourth, the economic and political union in Europe grew incrementally among countries that were willing to participate and shared common values. The community did not exist in any substantial fashion among countries with different systems. Fifth, the cooperative model underway in the core area proved tremendously attractive to others. It was a significant factor in the

transformation of Spain, Portugal, Greece and Eastern Europe from various forms of dictatorship to democratic societies. This happened in part because of cooperation and confidence building across the borders.

There are parallels and differences in Northeast Asia that suggest both the feasibility and the difficult challenges of community building in this area. Like Europe, the countries of Northeast Asia have had a long history of interaction and culture sharing. Like Europe, the region also suffered enormously from war in the first part of the 20th century, continuing through the Korean War. Most of Northeast Asia is experiencing, as outlined in Dr. Moon’s paper, a process of rapid economic integration within the context of globalizing forces.

But as a political project, community building in Northeast Asia is in its very early stages. There is no clear structure of leadership comparable to the French-German project. As Stapleton Roy, my colleague in the U.S. Asia Pacific Council, put it recently, “We have earlier concepts of an East Asian co-prosperity sphere driven by Japan, and now we have new concepts driven by China. But we have no concept of a regional community driven by China and Japan working together.” Nor does the United States play the same role as in Europe since it is not perceived as providing security for the region by both Japan and China. There is little sense of common threat.

In the absence of Japanese-Chinese joint leadership, there is some potential for smaller countries to play a role, for example, the ASEAN group in the ASEAN + 3 project and Korea among the “+3.” But whether smaller powers can “drive” a process is very questionable, particularly if the larger powers prove unwilling.

Another important difference between the European/Atlantic model and the NEACI model is that the latter seeks to build bridges of cooperation across countries of different systems. This not only deprives the community of a strong sense of common values but means that differences must be confronted with the proposed community. Systemic differences present some challenges in the case of China, which has been integrating its economy into the global system but which is making slower changes in its social and political life. The much more difficult case, of course, is North Korea, for which there is

no parallel in the European/Atlantic model. North Korea is not only more repressive and closed than any European Marxist state was (with the possible exception of Albania), but it is producing fissile material outside the nuclear non-proliferation regime, thus becoming a serious security problem.

The Northeast Asian cooperation process is a long-range one, but the North Korean nuclear issue is an immediate and very dangerous issue. We cannot seriously discuss a cooperation initiative that includes North Korea without addressing this issue. Nor can we pretend that a long-term, slow moving cooperation process itself can generate a solution to the current nuclear crisis with its more immediate and urgent time horizon.

In a conventional or covert military sense, North Korea may no longer be a significant offensive threat to its neighbors. But the production of fissile materials, whether or not they are fashioned into deliverable nuclear weapons, is a global as well as regional threat. If such material became available through North Korea to terrorists determined to use it, it could be used in an attack many times more devastating than 9-11. While such an attack could theoretically take place anywhere, the United States is the most likely target of such an attack. For this reason the North Korean program directly threatens the vital security interests of the United States.

Even if the North Korean government does not condone sales or transfer, we have no assurance that this could not take place anyway as we would know next to nothing about the storage and security of such materials. And because North Korean institutions have a narrow base of legitimacy, the eventual collapse of the regime cannot be discounted, and this could result in a "loose nukes" problem.

Thus the North Korea nuclear issue should be the first order of the day for Northeast Asian cooperation. I think the best chance of stopping this threat lies in a "united neighborhood approach." And thus, while the six-party talks process is very important for discussions with the North Koreans, the priority must be in bringing the other five countries around a common and determined approach involving both pressures and incentives.

As part of this approach, we need to outline the potential benefits to

North Korea for undertaking NPT obligations, including the benefits if might derive from enhanced Northeast Asian cooperation. However, this may not be very attractive to the North Korean elites since they may in fact believe that more intense cooperation is the most serious threat to their status and survival. Economic cooperation can only be offered and not forced upon them.

This raises the question of how willing partners should proceed even if North Korea is reluctant. In the European case, the willing partners moved ahead, allowing the union to expand when other countries were ready and met the political and economic norms of the community.

Finally, let me offer a thought on the possible role of Jeju. If the region can get beyond the North Korean problem and build a cooperative relationship between Japan and China in which Korea is an essential partner, the Northeast Asian cooperation process will eventually need a secretariat. It surely cannot be either in Beijing or Tokyo. Nor does it seem likely that it could be in either Seoul or Pyongyang. Nor would Ulan Bator or Khabarovsk be very appropriate. So if Jeju has the appropriate transportation/ communications links, a physical and social infrastructure supportive of a small foreign community, and a strong desire to host the common institutions, could it not become a Brussels of Northeast Asia?

The Roh Moo-hyun Government and the Northeast Asian Cooperation Initiative

Meihua Yu

After the post-Cold War period and following the collapse of the bipolar system, a new period of change has arrived. Through this change, the direction of Asia's development has become of great interest to the countries in the region.

Where is Asia headed? The subject of the present forum is an answer to this problem. This forum not only shows Korea's willingness and determination to promote the establishment of a Northeast Asian cooperative framework, but also reflects the general view of countries throughout the entire Asian region.

I would like to discuss three views in light of the Northeast Asia Cooperation Initiative that the ROK government hopes to achieve.

View 1. Korea's constructive attitude will serve as a catalyst in the formation of a Northeast Asian cooperative framework.

First, President Roh Moo-hyun personally petitioning in its favor has made a large impact. From the moment the participatory government began, President Roh has consistently emphasized the impor-

tance of Northeast Asian cooperation. When President Roh made an official visit to China in July 2003, he gave a speech on Northeast Asian Cooperation initiatives at Beijing's Tsinghua University. During the lecture, the president said that the era of Northeast Asia was dawning and that both Korea and China, as the center of the Northeast Asian region, should join hands to work toward achieving peace and prosperity in Northeast Asia, which he emphasized was the historical task set before the two nations. Additionally, he said that achieving this required the cooperation of the various nations of the Northeast Asian region, and that mental barriers had to be pulled down in favor of reconciliation and cooperation, in order to plant the seeds of peace and prosperity.

During his speech, he said that Northeast Asia was fully capable of becoming a center of commerce, one which possessed ample aspects of production and investment, finance and commerce, knowledge and technology, and that the region had the capacity to lead the way in world peace and development.

At this point in time, this opinion seems an extremely forward-looking and perceptive judgment and the fact that this is the president's view shows that the public's interest in Northeast Asian cooperation will only rise over time.

Second, the South Korean government's concrete measures for a Northeast Asian community can become a driving force in the formation of a Northeast Asian community. In order to further advance Northeast Asian cooperation, the South Korean government has established a presidential committee, and with establishing the goal of an open Northeast Asia, a symbiotic Northeast Asia, the government established a number of projects, including the enactment of a mid-to-long-term national strategy on Northeast Asia, the building of a Korean Peninsula peace structure and security cooperation, the promotion of the Northeast Asian community and others. Beyond these, the government also established the roles that the ROK has to play in the stages of establishing a Northeast Asian regional community. These are namely playing the role of a bridging country in cooperation between major continental powers and maritime powers, and serving as a middleman that fosters conducive thoughts on exchanges to solve

the problems of Northeast Asia arising from various countries. These all point to South Korea playing the role of a cooperation-promoting country.

Third, in the fields of industry, academia and research, promotional activities and research on Northeast Asian cooperation are actively taking place. This too can play an active part in promoting the establishment of a Northeast Asian cooperative body. This forum too falls under the category of being one of the most important enterprises in international exchange activities.

Accordingly, in terms of activities furthering Northeast Asian cooperation, the South Korean participatory government's fortitude and spirit, will and determination, goals and measures are not only lifting the country's national resources and competitiveness, but are helping to improve understanding and cooperation among all countries. Even if the road ahead will not be smooth, Korea's positive attitude will be an important catalyst in the project of building a Northeast Asian community.

View 2. The possibility of realizing a Northeast Asian community exists.

The basis for this is as follows.

First, the major trend of creating economic zones becomes a driving force. Following the post-Cold War period, economic globalization and regionalization is becoming a major trend. As you may well know, Europe is emerging as a major leader of this trend with North America continuing to follow closely behind, and South Asia, Latin America and Africa are also in the process of facilitating regional cooperation. This kind of worldwide trend will serve as a driving force in the formation of a Northeast Asian community.

Second, an advantageous economic groundwork has been laid.

Today, Northeast Asia holds an increasingly important position in the world economy. Northeast Asia makes up 40 percent of the total Asian landmass and is rich in natural resources and has a large market, and its industry and commodities structures complement each other, and the security of its trademarks is strong. After the Cold War,

economic development was one of the major goals of national policy for countries within this region, with the major results achieved. The GDP for 2003 in the region formed 20 percent of the world GDP, and is expected to command at least 30 percent in 15 years. This situation is a favorable founding condition for the building of a community.

Economic interdependence is high. In 2004, China's dependence on Korean trade was at 7.7 percent, while its dependence on Japanese trade stood at 14.5 percent; Korea's dependence on Chinese trade was at 18.8 percent, and Japan's dependence on Chinese trade was 16 percent. This shows that the necessity of mutual cooperation is growing.

The areas of cooperation are vast. At present, information and communications, energy, resources, environmental protection, transportation and many other sectors are fully potential areas of cooperation.

Third, common ground exists in traditional culture. During President Roh's speech at Tsinghua University in China, he said that "The countries of Northeast Asia, centered around Korea and China, share traditional values and a Confucianism heritage that has a worldview of humanism, coexistence, peace and harmony. This worldview is a precious inherited ethos that is possessed by all the peoples of Northeast Asia." These kinds of cultural elements are also forming an important cornerstone for the creation of a Northeast Asian community.

Fourth is that the diplomatic environment is becoming relatively relaxed. After the Cold War, relations among the major powers in the region have become relaxed and heated antagonisms have disappeared.

In accordance with the fostering of exchange and the strategic positioning of each country within the region, peace and development have become the center of national policies. China's policy of a "peaceful rise," Korea's "peace and prosperity" policy and North Korea's "independent power" policy serve as examples.

Even though South-North relations are still complicated, it continues to move in the general direction of an inter-Korean assistance based on kinship.

The prevention of the proliferation of nuclear weapons and war is becoming the common will of nations throughout the region.

These four security elements will allow for the creation of a prosper-

ous, peaceful environment for the building of a Northeast Asian community.

Fifth is the fact that the three nations of China, Korea and Japan can show that they play the role of leading nations. Begun in 1999, the three nations leaders' meeting became officially established in 2000 and in October 2003, the leaders of the three nations signed the "Joint Statement on the China-Japan-Korea Cooperation Initiative" in Indonesia, and on Nov. 3, 2004, the three-party committee introduced a China-Japan-Korea cooperation action strategy. Beyond that, using research conducted in each country, the three nations presented a variety of concrete proposals on the Tumen River Area Development Program, a Northeast Asia economic bloc, an energy cooperation initiative and on a variety of other noteworthy projects. Currently, the three nations are developing collaborative projects in the environmental protection industry area, including research into yellow dust pollution and environmental education, and have achieved substantive results. Additionally, Korea and Japan have continued to offer financial support to industries that promote Northeast Asian cooperation.

If the nations' projects in four area—the declaration of cooperation, economic scope, human resources and technological capital—converge well, I believe then that this can provide a great moving force in building the Northeast Asian community.

Sixth, the experience of the EU and other regional communities can be used as references. The experiences that correspond with Asia's particular circumstances can be used to help create a model for the community.

View 3. Hardships, which are not a few, must be actively conquered.

Even if the beneficial conditions analyzed above are laid out before us, this does not mean that a community will be created overnight. Furthermore, resolving the "four handicaps" in the security field—namely, the nuclear problem, the Cold War structure on the Korean Peninsula, the strengthening of the US-Japan military alliance and the territorial and historical disputes between Japan and its neigh-

boring countries—is becoming an important issue. These four challenging factors are historical yet also real problems. On a fundamental level, the competing national interests of major powers are included in this, as well as the complicated interests among nations in the region.

Thus, in a short period of time, we must fully recognize this bottleneck and the obstacles that are making these problems impossible to solve, and we must gain determination in overcoming them and steadily continue the project of community-building.

Finally, I will raise a number of suggestions to promote the shaping of the community in an effective manner.

A "Northeast Asia Community Initiative Committee" should be established. Through this, we can research activities related to community-building and promote them on a regular basis.

Diverse forms of dialogue and exchange involving government and civilian participation should be developed. Through these activities, the strategic importance of reciprocity can be increased, while doubts are overcome and trust achieved. And as the awareness of a Northeast Asian consciousness and living community is cultivated, trust and cooperation, coexistence and mutual prosperity can be realized.

Cooperation should start with easy things first and deal with the difficult issues afterwards, meaning that collaborations in the economic sphere should be initiated first and political cooperation should take place later.

While China, Japan and South Korea should continue to play the role of motivating forces, Japan should raise Asian consciousness and get rid put an end to heavy historical baggage.

Developing countries working to raise their economic status should be assisted and a way must be found to eliminate economic differences in the region. In order to achieve this, South Korea's major inter-Korean cooperation projects—Mt. Geumgang tourism, the Gaesong Industrial Complex and the Gyeongui and Donghae line railway linkage—should continue forward. It is advisable that the U.S. and Japan provide a stable environment where the North Korean economy can integrate with the international economy.

The six-party talks should continue, because it is the best way of solving the nuclear problem.

The Northeast Asian Cooperation Initiative and the Role of the ROK Government

Nodari Simonia

After President Roh Moon-hyun's inauguration on Feb. 25, 2003, his government launched an ambitious initiative aimed at creating a peaceful and prosperous Northeast Asia. The Presidential Committee on Northeast Asian Business Hub was established. Its task was to carry out the initiative by creating financial and logistics hubs as well as promoting cooperation in the areas of business, energy and transportation. Since then, broad discussions have started among local and foreign experts and politicians.

Some accused the government of weakening Seoul's influence in broader Asia due to its focus on the North Korean nuclear issue and its efforts to make the nation a Northeast Asian business hub. They think that now that the integration progress aimed at the creation of an East Asian community has started, the Korean government must play its balancing role in this broader context more actively. According to their opinion, this is the unique role that Korea can play. It can act as a balancer between China and Japan on the one hand and between ASEAN+3 on the other (see editorial in *Korea Now*, Dec. 11, 2004, p. 4).

In my opinion, strengthening cooperation first in the framework of

the Northeast Asian region is unavoidable for any real success in the process of building an East Asian community. On the contrary, if members of the Northeast Asian region are divided among themselves, the process of forming any East Asian community will be marred by contradictions and severe competition for leadership between such giants as Japan and China, the signs of which are already evident in Asia. So at the current stage of historical development, the "narrower" geographical approach of the Korean government in my personal view is much more justified, and I fully agree with President Roh's understanding of the contemporary situation in the Northeast Asian region, which he expressed in his speech before more than 800 students at Moscow State University on Sep. 24, 2004.

He said: "Even now, when the Cold War system has dissolved, the structure of distrust and hostility has not been fully eliminated. Under such circumstances, we are not able to pursue unity. We should start with the economic field, which will help enhance trust. To begin with, networks of logistics, energy, and information and communications should be established to lay the groundwork for common prosperity. Ultimately, the task should be completed by achieving economic integration through trade liberalization within the region. If the economics are integrated, it will lead even to multilateral security cooperation, as past experiences show ... It is essential for both the people and leaders in Northeast Asian countries to equip themselves with a new paradigm of reconciliation and cooperation as well as of mutual trust and coexistence" (*Korea and World Affairs*, Vol. XXVIII, No. 4, Winter 2004, p. 419).

I agree with Prof. Chung-in Moon's proposition that the "Northeast Asian Cooperation Initiative for Peace and Prosperity (NEACI) can be defined as the nation's long-term strategy" (his paper, p. 8). It's very important to keep this in mind because Korea itself must do a lot of things to prepare itself for the mission defined in the initiative, and first of all, in the sphere of economy. As it was described in an issue of *Korea Now* (April 3, 2004, p. 14): "There has been growing awareness that in order to reach the long-awaited \$20,000 per capita income, Korea needs new industries that will drive the country's economic

growth in the future and that nurturing promising new industries is a must, not an option. That is particularly so considering the situation facing Korea. Sandwiched between advanced Japan and rapidly emerging China, Korea has to find new sources of economic growth energy.” So the Presidential Advisory Council on Science and Technology selected 10 major industries from a larger list of the most promising businesses compiled by the industry-related ministries. As I understand, to fulfill such a task takes a lot of time, energy and precise coordination of efforts from both sides — government and private business.

In *The Korea Herald* (Aug. 24, 2004), Mr. Seonji Woo has published an article in which he comes to the conclusion: “With the reshaping of regional politics, Korea’s foreign policy faces daunting and unfamiliar challenges. The presence of a strong China and a strong Japan at the same time is unprecedented in modern history. South Korea has the responsibility to play a bridging role between Tokyo and Beijing.” It is very easy to formulate such an ambitious task, but the real question is “how?” How is South Korea going to play this role, what specific tools and magic arguments is she going to use for solving the existing contradictions between China and Japan? Especially taking into account unsettled territorial disputes (Diaoyu Islands), differences concerning the Taiwan issue, controversies over the interpretation of historical events in Japanese textbooks over issues of aggression, occupation, etc. Not to mention the more deep-rooted contest for leadership in Asia. In fact, South Korea, on the one hand, itself has many of the same kind of misunderstanding problems with Japan, and on the other hand, is seriously engaged in discussions with China about interpretation of historic records concerning the ancient kingdom of Goguryeo.

Once again, I agree with Prof. Chug-in Moon’s explanation in his papers that the notion of a “regional hub” in the government initiative must not be interpreted as “the center of physical power and geographic landscape in the region.” But very controversial interpretations of Korea’s role as an “economic hub” are still frequent in some publications. For example, in *Korea Now* (Oct. 30, 2004, p.26) one author writes: “Capitalizing on its geographical advantage and super logistical and industrial infrastructure, Korea is poised to reinvent

itself as the economic nerve center of Northeast Asia ... Caught between two economic giants, China and Japan, Korea’s economy, the third-largest in Asia, faces the risk of being “nutcracked.” With China developing rapidly, Korea regards the next five years as being critical to turning itself into a Northeast Asian economic hub.”

And as a final remark, the ROK really can play a role as a “bridge-building” state. But not alone. A “bridge” has two sides, and to use a bridge, you need close partners. For example, to play the role of a bridge between the Asia-Pacific region and Europe, you need to connect the Trans-Korean railways with the Trans-Siberian line, which means that Korea and Russia together will play the role of bridge-building states.

Northeast Asian Cooperation and Community-Building: A U.S. Perspective

Kent E. Calder

Five years beyond the Pyongyang Summit of June 2000, the world is gradually gaining a sense of the long-run implications of that momentous event. The North-South summit clearly triggered a historic, deepening economic and social interaction across the Demilitarized Zone, as symbolized in remarkable new railways across minefields, family visit exchanges and the advent of the Gaesong Special Economic Zone. Yet it has also led to deepening geo-strategic tensions, related particularly to North Korea's nuclear program, and adverse international reaction to it. These tensions have led to a moratorium on the promising KEDO energy development project, and to the serious prospect of economic and political sanctions against North Korea itself.

The United States, of course, has figured centrally in these momentous developments of the past half-decade, even if the initial North-South rapprochement was not of its making. Building on the initial momentum of the Pyongyang Summit, the Clinton administration began a serious exploration of prospects for deescalating tensions between North Korea and the broader world. These culminated in reciprocal visits by high North Korean military leaders and by U.S. Secre-

tary of State Madeleine Albright to each other's capitals, before foundering in technical talks held in Kuala Lumpur on the North Korean missile program.

The Bush administration, by contrast, has been much more cautious in engaging the North, and in supporting others in such efforts. The ill-fated Kim Dae-jung Washington visit of March 2001 showed these patterns clearly. So has the escalating confrontation over the North's alleged dual plutonium and HEU nuclear programs, from October 2002 on.

In understanding American perspectives on Northeast Asian cooperation, it is crucial to see them in both a historical and political-economic context. The telescopic lens of history allows one to best understand the institutions through which America deals with Northeast Asia, and especially the skewed security and economic parameters of that relationship. A political-economic perspective further clarifies American attitudes by identifying the incentives that operate both on the U.S. government and on the American business community as they consider Northeast Asia's future.

I. The Embedded Impact of History on American Institutions in Dealing with Northeast Asia

Americans played surprisingly important roles in opening Northeast Asia to the outside world, considering the relatively limited U.S. global role in the mid-19th century, when these events transpired. American missionaries and traders were among the earliest Westerners on the China coast, apart from the Portuguese and the Dutch. Matthew Perry and his black ships opened Japan to the West in 1854, while Americans soon thereafter pioneered relations with Korea also.

Yet these early pioneering steps by missionaries and other visionaries were not followed by substantial economic involvement, in sharp contrast to American relations with Europe and Latin America. American entrepreneurs may have built the first Seoul subway in the 1890s. Yet their economic involvement in Korea, Japan and even northeast China was relatively minimal throughout the first half of the 20th cen-

tury — indeed, down to the recent past. It was to be *security*, rather than economics, that would shape American institutions and perceptions in dealing with Northeast Asia.

Two critical junctures have profoundly shaped American policy and perspectives on Northeast Asia: the Pacific War (1941-1945) and the Korean War (1950-1953). Although armed confrontation with Japan lasted for much of the first half of the 20th century for Chinese and Koreans, and involved bitter colonial as well as wartime experiences for them, war with Japan was much briefer for Americans. It did not engender such enduring enmities, and was followed by a generally peaceful and cooperative American occupation of Japan that was longer than the Pacific War itself.

The process of drafting the San Francisco Peace Treaty with Japan was led by a nephew of Woodrow Wilson's Secretary of State Robert Lansing, in the person of John Foster Dulles. Dulles feared that a vindictive peace settlement might de-legitimize Japanese democracy and breed revanchism in the same way that the Versailles diktat led to the rise of Nazism in Germany. World War II, in short, had rather limited long-term impact on US-Japan relations, despite its more substantial implications for the nations of Northeast Asia themselves.

The Pacific War, however, did have major implications for the institutional machinery through which the United States conducted its diplomacy with Northeast Asia in succeeding years. It led, most importantly, to a powerful American military presence all along the eastern rim of Asia — in Japan, the Philippines, Taiwan and Korea. This broad regional presence was greatly strengthened, especially in Korea and Japan, by the Korean War.

The Pacific and Korean Wars created a powerful American military presence in Asia. They also gave it fateful institutional strength in American policymaking toward the region — especially toward Korea, and secondarily toward Japan. U.S. Forces in Korea (USFK) are commanded, for reasons of both history and strategy, by a four-star general, one of the highest-ranking officers in the U.S. military, with direct links to the Pentagon. This general has enormous weight in both U.S. governmental deliberations within Korea, and also in American foreign policy toward the peninsula more generally. In Japan, the local

U.S. command presence (USFJ) is led only by a three-star general, out-ranked by the Korean command, but likewise an important voice in American policy formation.

On the political-economic side, American relations with both Korea and Japan have — in sharp contrast to the military — been both under-developed and asymmetrical. Until the Asian financial crisis of 1997-1998, American firms had remarkably limited presence in both countries, compared to that in major Allied nations of Europe and Latin America. And the U.S. sustained huge and continuing trade imbalances with both nations, despite the presence of vigorous local Chambers of Commerce.

II. A Different Heritage for Sino-American Ties

The heritage of history for US-China relations, of course, is somewhat different, coming closer to Latin American patterns than those of Japan and Korea. The United States, of course, lacks military bases and military commands in China, biasing local American interactions, at least, in a more economic direction. The early modern history of US-PRC relations — between Nixon's 1972 visit to China and normalization with Beijing in 1979 — also biases US-China relations in a more economic direction. It was in that period that the US-China Business Council, for example, was founded, during which it gained an institutional legitimacy with the Chinese government never attained by its counterparts in Japan or Korea. The director of the USCBC, for example, continues to be accorded vice-ministerial protocol status on trips to Beijing, as an atavistic heritage of pre-normalization efforts to cultivate the United States. AMCHAMs in Seoul and Tokyo, by contrast, never get this semi-diplomatic treatment.

III. Emerging Profiles of Economic Relations

Economic patterns in U.S. relations with Northeast Asia mirror, in important ways, the institutional biases created by history. American

economic relations with Japan and Korea are heavily rooted in trade and finance. American direct investment in both is remarkably small, compared to most parts of the industrialized world, although it began to rise significantly in the aftermath of the Asian financial crisis. Despite its strong security ties to both nations, the United States has remarkably few economic “assets on the ground” in either nation.

China, once again reflecting embedded institutional history as well as underlying factor endowments and comparative advantage, is a somewhat different story. There is substantial American direct investment there, and an economic counter-balance on the ground to security concerns. Yet most American assets and corporate interest in China are along the southeastern coast, with relatively little involvement northeast of Beijing.

History has thus failed to create strong American *political-economic stakes* in Northeast Asia — either public or private. It has, however, as a result of two major wars that America fought in the region, created strong military concerns and institutional stakes. Thus, there is a persistent tendency for American policy toward the region — at least in the absence of strong determination from Washington to the contrary — to give precedence to political-military concerns when they are in tension with economic or purely idealistic considerations. This bias can certainly be overridden by the emergence of new economic stakes and clear presidential leadership. Yet it is important to note the institutional bias that the heritage of history imposes on American policy toward Northeast Asia.

The bias of the American political economy *away* from Northeast Asian development toward other parts of the world, may be reinforced by financial trends since 1980. Before that time, Northeast Asia’s extraordinarily high national savings were largely recycled within the region, especially into real estate. Since the liberalization of Japan’s Foreign Exchange Law in December 1980, however, those funds have been flowing heavily into American financial assets, especially U.S. Treasury bonds.

These trans-Pacific capital flows have, of course, become very important in stabilizing the U.S. dollar and American capital markets in the face of heavy U.S. domestic consumption and massive trade

deficits. Accelerated economic growth in Northeast Asia would probably have little short-run effect on them, due to the massive scale of the trans-Pacific flows. Yet the fact that such dynamic trans-Pacific flows have emerged over the past two decades, and that they create an alternative to investments within Northeast Asia, certainly does not enhance the prospects for large-scale Northeast Asian development projects emerging.

IV. The Changing American Political Economy

On the positive side, the U.S. political economy has certainly become more international and more responsive to global economic forces over the past two decades. The share of trade in American GDP has risen, and the country has become dependent on capital inflows of well over \$1 billion a day to finance its massive current account deficits. Americans have come to appreciate foreign investment, while American firms also scan the globe intensively looking for investment opportunities.

A generation ago, America’s Snow Belt industrial base, centering on Midwestern states like Michigan, Ohio and Pennsylvania, was a bulwark of protectionist sentiment. It incited protectionist policies in steel, autos and related sectors. Such states are still pivotal politically, as evidenced in the 2004 presidential election, yet their policy influence has clearly declined.

Since the election of John F. Kennedy in 1960, every elected U.S. President has hailed from a Sunbelt state, such as Texas, California, Arkansas or Georgia. Such areas, where sectors like agriculture, defense and construction, which do not fear foreign competition are dominant, have tended to be highly international in their orientation, supporting America’s deepening globalist orientation in economic affairs.

Such a globalist perspective should in principle serve as a strong basis for deepened American economic ties with Northeast Asia. That certainly could be the case, especially as Northeast Asian real assets depressed by years of stagnation appear to be distinctly undervalued

in many parts of the region. Yet American firms, like the U.S. government, often tend to view Northeast Asia hesitantly, due to their relative lack of economic stakes in the region, and the uncertainties related to the nuclear situation. As a consequence, the profile of local incentives available and how they relate comparatively to opportunities elsewhere in the world become critical considerations in attracting American firms.

V. Grand Designs in Political-Economic Context

In thinking about grand designs for Northeast Asia from an American perspective, it is thus crucial to understand how they relate to the *embedded biases and priorities* of American politics and policymaking. The foregoing analysis has suggested three such dispositions: (1) A tendency to prioritize security considerations; (2) Limited sensitivity to economic opportunities in Japan and Korea, contrasting to somewhat greater appreciation of prospects in China; and (3) A tendency to weigh opportunities in Northeast Asia in a global calculus, against possibilities in many other areas of the world.

Americans differ marginally on a partisan basis regarding Northeast Asian development, to be sure, as a result of the contrasting policies toward Korean issues pursued by the Clinton and Bush administrations. Democrats currently often tend to be somewhat more supportive of the concept, and supportive of its implications for the United States. Yet both Democrats and Republicans are profoundly influenced in their thinking about Northeast Asian economic initiatives prospectively involving North Korea by both nuclear uncertainties and the surfeit of attractive global investment opportunities elsewhere in the world.

Viewing Northeast Asian issues from a trans-regional perspective, most Americans would see resolution of the North Korean nuclear issue, on terms obviating any possible terrorist threat, and assuring the geo-political stability of the Northeast Asian region, as a crucial precondition for realization of any “grand design” for the Northeast Asian region. Few, apart from regional specialists and a few major

construction and resource firms, would have much intrinsic interest in the concept. Yet if the benefits for regional stability and for American commercial interests were more clearly specified, and a link to resolution of the nuclear crisis were more clearly drawn, they could potentially come to find the notion of a “grand design” attractive.

The great utility of a “grand design,” from an American perspective, could be in providing the “carrot” that would make resolution of the nuclear crisis attractive – indeed, compelling – not just to North Korea, but to nations throughout the region. By spelling out infrastructural needs – a regional electric power grid, railways across the region, airports, and long-distance gas and oil pipelines, for example – and identifying priority projects that could be supported with aid funds contingent on resolution of the nuclear crisis, such a “grand design” could intensify the momentum for resolving the crisis itself. Such a design could give concrete guidance to the World Bank, the Asian Development Bank, the International Monetary Fund and other multilateral agencies, as well as the Japanese and other national aid programs, which would likely be the implementing organizations for such a grand design.

To reiterate, for virtually any American administration, the legitimacy of the “grand design” concept would be profoundly related to a *full* resolution of the North Korean nuclear crisis. On this matter, the United States would be unlikely to compromise much, if only because its own economic stakes in Northeast Asia are limited, and the perceived security costs of allowing North Korea to become a full-fledged nuclear weapons state are so high. A “grand design” could, to be sure, outline the profile of a very sweet carrot for resolution of the nuclear crisis. But in the view of almost all Americans – Democrats and Republicans alike – carrots alone are unlikely to bring this crisis to a resolution.

There is, of course, the conceptual possibility of a “Pakistan solution” – that after a decent interval the United States might implicitly recognize the recently declared North Korean nuclear capacity, and proceed with business as usual. Whatever the prospect of such a development at the diplomatic level—and it seems to me slim – it seems unlikely that the United States would assent to large-scale loans

from multilateral institutions to support large-scale infrastructural projects involving a nuclear North Korea, at least as long as Paul Wolfowitz is president of the World Bank.

In the absence of a clear and relatively draconian resolution to the North Korean nuclear crisis, there are thus only three feasible possibilities for the Northeast Asian “grand design”: (1) Implementing elements unrelated to North Korea; (2) postponing implementation of the plan to await resolution of the North Korean nuclear crisis; or (3) funding implementation of the plan outside the current multilateral financial framework, where the United States has de facto veto power. Many important elements of a “grand design,” such as reinforcing the role of Korea as a transportation hub for the region, could no doubt be implemented without regard to the North Korean crisis, and are in fact in the process of implementation right now.

Air and rail transport facilities in the Russian Far East and northeast China could also similarly be upgraded and preparations made for major expansions in gas and oil pipeline systems, to exploit Russia’s enormous energy resources for the benefit of the entire Northeast Asian region. The United States would certainly have little objection to such developments, and would no doubt particularly applaud them were there opportunities for American firms involved.

VI. Conclusion

The United States, as we have noted, played a central role in opening Northeast Asia to the broader world over a century ago. Yet the U.S. maintains curiously limited economic stakes in the future of the region today. For most of the past century, America’s primary interests in Korea, China and Japan have been political-military in nature. Two of America’s major military conflicts, the Pacific and Korean Wars, have originated in the region, and their embedded impact on both American perceptions and policy institutions for dealing with Northeast Asia remains substantial.

The United States itself, over the past generation, has clearly become steadily more global in its economic interests and security concerns.

Although it has historically lacked strong economic links to Northeast Asia, such globalism, combined with traditional American pragmatism, could well make it receptive to new opportunities within the region. Yet Washington would need to see a conclusive resolution to the North Korean nuclear crisis as a clear precondition. Without such a resolution, it seems unlikely that the United States would support the heavy capital commitments by multilateral financial institutions like the World Bank and the Asian Development Bank that would most likely be needed for any “grand design” with a North Korean component to be realized. The alternative could be more limited variants of the “grand design” involving only the other five parties to the currently stalled six-party talks.

PART VI

Business Leaders' Roundtable

Internet Innovation in Northeast Asia
Northeast Asia's Pivotal Role in the Global Economy
Overcoming Obstacles to Regional Economic Integration
Problems of Global Financial Stability
For the Prosperity of the 21st Century
Business for a New Generation in Japan

Internet Innovation in Northeast Asia

Jae-woong Lee

It's my big pleasure today speaking in front of such honorable guests, especially in Jeju, which is my second hometown. I am also very pleased to speak briefly about prosperity. It's a peace forum, but it's good to speak about prosperity, which is a very important factor to keeping peace. For a few hundred years, East Asia, Northeast Asia, was not a leader of innovation. It should not be an exaggeration to say that all the major innovations originated from the so-called Western world since the industrial revolution. But if we think about the last 10 years, then the wave of innovation is changing. We can see that and we can feel that. For example, Korea is now being regarded as the most wired nation and also one of the most creative content-producing countries in the region. Also, many Korean companies are taking leadership of technological innovation. Korea has made great success in the last ten years. But this is not a Cinderella story about just Korea.

China and Japan are evolving very fast toward a network society with mobile and Internet power. Today I'd like to address to you why I think these kinds of trends will continue and why Korea and the other Northeast Asian countries will take the lead in the so-called

Internet innovation of the world. There are some impressive facts and trends as Kim Shin-bae has summarized very well in his speech. I will just be short.

You know, infrastructure-wise, Korea, China and Japan are the world leaders in terms of Internet usage, Internet broadband, wireless and Internet population. Also, knowledge and creativity-oriented industry-wise, Korean society and Northeast Asian society are societies which have deep respect about knowledge-based information and culture. And also Korea, China and Japan have a very good technological background to keep advanced technology developed. Also, if you see the Korean, Chinese and Japanese markets, each individual market is large enough. But also with the markets together, the Northeast Asian market is one of the biggest markets in the world. The Internet is moving forward the barriers between nations and that's making the companies in these regions already successful companies competing on a global scale.

These facts and trends are impressive, but we also should understand how the Internet could change the way of doing business, creating content and changing culture itself. For example, in 80 percent of the usage of our Internet portal services, users come from contents that users have created. This means normal Internet users armed with digital cameras, broadband-connected computers and their mobile phones are creating their own contents. And then the other users are spending 80 percent of their time reading, watching and listening to those contents. This is a totally different trend than before. Before, the contents were created by major publishers, studios, which were backed by big money. That day appeared to be mass. But it's now being changed. Before, the contents market was dominated by major studios, major publishers, as it was impossible to buy and sell contents less favorable to them.

But now, as the Internet made it possible for users to buy and sell non-blockbusters, near amateur contents, it is offering a new horizon. For companies which have the ability to sell these kinds of content, it's not only giving more chances to make business incentives for creators, but also giving them incentives to build contents to create culture and change in the new society. This is giving an upgrade to creative con-

tents and the creativity of normal people. It has given the opportunity to the people to be more creative and also made a new business model, which can be well-distributed between countries as well as between classes.

As the Internet is now creating the new model - a perfect competition market, it means if there is enough knowledge power, you can change the market dynamics and it is giving the opportunity to the people of Northeast Asian countries to participate in the Internet revolution which will lead the world. Having hundreds and millions of people who have know-how and experiences in this revolution will be a great asset for the countries to take a lead in the worldwide revolution.

Also, the Internet, a new paradigm of business, is giving an opportunity to young entrepreneurs, which didn't exist before in this region. Many big conglomerates and state-owned companies were leading the economy of East Asia until 10 to 20 years ago. You can find many young entrepreneurs. You know, the word "young" doesn't mean a young age, but a young culture and an open mind. Young-minded people are going toward a highly different attitude of business, armed with technology, knowledge and creativeness, and dashing toward the other countries in a new business environment and having tight cooperation with other Northeast Asian countries. I think this is a hope. Today we talk a lot of building trust between peoples in Northeast Asian countries. We're already having some sense of a Northeast Asian community in the business world. And also, we are, step-by-step, building trust in that sense. This is why we should have hope that we can build a great prosperous Northeast Asian community in some sense. And it will lead to peace in the future.

As a conclusion, now East Asian—Northeast Asian countries, including Korea—are having a great chance to lead not only renovation, but also the social and economic innovation of the world. And for that we'll need a tight cooperation. Maybe for that, ideas like, as Kim Shin-bae proposed, having a council, having more meetings and more private and public sector cooperation will be needed. That will lead to peace as well.

Thank you.

Northeast Asia's Pivotal Role in the Global Economy

Shin-Bae Kim

I. Northeast Asia's Current Position and Role in the Global Economy

As regionalism, together with globalization, spreads around the globe, the current world economy is moving under a tripod structure consisting of the EU, NAFTA and the East Asian economy. In this environment, the Northeast Asian economy represented by Korea, China, Japan and Russia is currently leading the East Asian economy. Because the size of its economy has been growing remarkably, the Northeast Asian economy has now cemented its position as one of the primary props of the global economy.

In fact, the Northeast Asian economy achieved growth rates which were 150 percent higher than those of the overall global economy. It now represents approximately 20 percent of the entire world's GDP, 16 percent of the total trade volume, and 42 percent of the foreign exchange holdings. This means it is constantly strengthening its influence over the global economy.

The Northeast Asian economy has taken strong steps to promote trade based on the complementary specialization structure between its

<Table 1> Current Status of the Northeast Asian Economy (2004)

(in 100 Millions USD)

Item	Korea	China	Japan	Russia	Sub-Total	World
Economic Growth Rate*	4.7%	9.5%	2.7%	7.1%	6.0%	4.1%
GDP	6,805	16,494	46,680	5,823	75,802 (18.6%)	408,606
Trade Volume	4,769	11,548	9,463	2,780	28,560 (15.9%)	180,000
Foreign Exchange Holdings('03)	1,554	4,033	6,735	778	13,100 (42.3%)	31,000

Source: *Global Insight*, The Bank of Korea

* Growth rate compared with real GDP in 2003

countries. This is one of the main reasons that it has solidified its position in the global economy.

Despite geographic contiguity, as well as complementary natural resources possessed by each country, the substantial integration and cooperation enjoyed by the EU and NAFTA were not seen in the Northeast Asian economy in the past. This was largely due to historical and political reasons and the gaps in each country's economic development phases. However, Korea and Japan are currently actively supplying raw materials and capital goods to China, and China produces consumer goods and exports them back to Korea and Japan, as well as the U.S. and Europe. With this complementary specialization structure between countries, the Northeast Asian countries have revitalized their domestic economy by enlarging the scope of their balance

<Table 2> Korea, China and Japan's Trade Volume in East Asia

Year	Korea	China	Japan
1980	31.9%	46.2%	23.8%
2003	45.9%	49.7%	40.1%

Source: *IMF 2004*

of payments surpluses in international trade, in spite of the current high oil price. As a result, the trade volume between Northeast Asian countries increased by 40 percent to 50 percent.

However, some industrial experts keep pointing out that the Northeast Asian economy's export-driven cooperation structure is vulnerable to external impacts, such as other economies placing pressure on protectionism. To protect itself from these outside risks and to bolster the groundwork for stable economic development, the Northeast Asian economy must place its focus on strengthening cooperative ties among all of the Northeast Asian industries. It must also make a greater investment in social infrastructures, as well as activities to promote domestic consumption.

When one considers its spreading effects on the social and economic infrastructure, and the development of other industries, it becomes obvious that the Northeast Asian countries must put their first priority on mutual collaboration and investment in the information communications industry.

II. The Changing Environment in the Information Communications Industry and the Necessity for Mutual Collaboration

At this time, each of the countries in Northeast Asia has secured global competitiveness in the information communications industry by responding to the knowledge-based information society in a timely way. In so doing, their outstanding growth rates in information communications have exceeded their overall economic growth rates. This has played a key role in accelerating the development of their overall national economies.

Korea stands unchallenged in CDMA mobile communications technology and has the world's best level of broadband Internet infrastructure, as well as mobile terminal production lines. China is building a stronghold in the information communications equipment manufacturing arena while concentrating on the advancement of wireless networks based on the huge domestic market. Furthermore, Japan has

enhanced its technological competitiveness throughout the traditional information communications product line. Because Japan launched commercial WCDMA mobile communications services before service providers elsewhere, Japan currently has the world's largest subscriber base.

As information communications markets around the world, except some of the emerging markets, are close to attaining maturity, we should not expect the outstanding growth rates we have been enjoying in the recent past. The market is being restructured in such delicate situations as a saturation of the telecom service penetration ratio, intensified competition and a general reduction of the telecom operators' profitability.

Amid this backdrop, great efforts are being made to overcome these challenging market environments by finding new growth drivers. Constructing a ubiquitous service environment within the digital convergence trend is one of the new attempts to break a slowing growth deadlock.

Digitalization in the information communications industry was initiated when traditional analog-based wired and wireless communications systems and networks were converted to digital. Furthermore, wired and wireless communications networks are integrating into Internet protocol (IP) networks due to the rapid development of the Internet. Simultaneously, data transmission technology has made great progress, and the broadband network has been adopted at a rapid pace. In terms of terminals, a wide spectrum of state-of-the-art wired and wireless devices has been introduced. This includes high performance, subminiature and mobile type devices. Thanks to the introduction of high-capacity networks, network integration into IP networks and advanced information processing devices, consumers are able to enjoy a variety of information and financial services with a single mobile device, anytime and anywhere. These include banking transactions, product information and location information, as well as high-capacity data content, such as movies and music.

In the future, information communications services will be deployed in such a way that information devices and networks will be seamlessly connected, and products and services in the information communi-

cations industry will be converged with those of other industries. This will usher in a ubiquitous service environment that lets consumers enjoy the services they desire, anytime and anywhere. This new paradigm of the information communications industry will create boundless market opportunities due to its characteristic social and economic infrastructure, and the spreading effects to allied industries will be significant. The information communications industry will take the initiative in leading us into the ubiquitous 21st century world economy. In this regard, the competition to break into this market early on will be intense.

In conclusion, the Northeast Asian countries are required to embrace new technological standards that become stepping stones to help them break into global markets. They are also in need of being equipped with new future growth engines, such as convergent and ubiquitous services that are based on strong footholds in the domestic information communications markets. These factors ensure that the Northeast Asian economy will play an increasingly pivotal role in the global economy.

III. The Task and Its Solution

To continue to accelerate the growth of the information communications industry, the joint construction of test beds for new commercial services and R&D cooperation for the development of new technologies is essential. These matters have been discussed for a long time within the Northeast Asian economy. However, substantial progress has not been made due to a lack of cooperation in the development of these processes and systems between private and government sectors, and differences in the technology and market maturity among the countries. There has also been a tendency toward excessive preservation and protection of technology based on nationalism.

Above all, we must channel our energy toward attaining economic cooperation designed to promote the Northeast Asian economy. To this end, solutions must be found for the conversion of those locked out in the past. That is to say, complementary combinations of each

country's industrial characteristics and the improvement of systems and processes for cooperation between private and government sectors are required.

First, we will need to share the understanding that individual countries cannot adequately respond to, or even survive in, the bloc economy and globalization taking place in the information communications market.

Under the umbrella of the global economy, the scope of competition in the marketplace has been extended to the global market, and the development of a bloc economy in each region around the world is now underway. The Vodafone Group's business launch in Japan as part of its series of global strategies, the multinational telecom equipment makers' advancement into the Chinese market, and the launching of strategic alliance communities like Freemove and Starmap, which are designed to extend the service coverage and sharing of the subscriber pool between European telecom service providers, are all examples of these trends.

Second, based on the changes in these understandings, we will need to cooperate with one another by complementing each country's weaker factors while recognizing their predominant factors.

Not long ago, Korea and Japan jointly launched the world's first commercial satellite digital multimedia broadcasting (satellite DMB) service. This is a good example of successfully launching a business by cooperation between two countries, minimizing the mutual investment risk in the launching of the satellite. This was a success in spite of fact that the two countries have different market characteristics. In addition, Korea supported the successful launching of CDMA mobile communications services in China when Korea shared its experience and know-how regarding commercialization of this service with China Unicom of China during the initial stages of introducing the CDMA mobile phone service. This has paved the way for the Northeast Asian economy to stand tall on the world stage in the CDMA mobile communications arena. The first three "CDMA Operators Summits," a representative council of CDMA operators around the globe, took place in China, Japan and Korea consecutively. This also demonstrates that the Northeast Asian countries have emerged as a major power in the

CDMA field and have gained worldwide recognition.

Third, the establishment of a joint council of both private and government sectors is required. Previously, joint cooperation of private and government sectors within individual countries was conducted, but the cooperation at the level of the Northeast Asian economic bloc was limited. In this regard, I would like to suggest that government-led meetings like the “Korea China Japan IT Ministerial Meeting,” which has been regularly discussing a cooperative plan for the information communications industry between governments, be extended and developed in a way that the private sectors of each country can participate in the meetings. As the private sector discusses business cooperation-related matters to create tangible results, and the government sector harmonizes the private sectors’ different views in terms of policy guidance, the establishment of a substantial cooperation structure between countries will ensue.

IV. Epilogue

As I mentioned earlier, in spite of the fact that Northeast Asian countries are located in a similar cultural circle, the cooperative relationship among them was somewhat estranged compared with that of other economic blocs. This is no doubt due to historical and political reasons. In the future, the world order will be shifted from traditional political and military fronts to economic and cultural fronts. In line with this, it is my fond hope that the Northeast Asian countries will work hard to enhance cooperative ties in the information communications industry by promoting new growth drivers for the development of both the national and regional economies. This will lay a solid foundation for the building of a prosperous Northeast Asian economic bloc. I also sincerely hope that we will continue to develop and strengthen mutually beneficial partnerships among the member nations of Northeast Asia.

Overcoming Obstacles to Regional Economic Integration

Cai Rang

I am really delighted to be here to get a chance of speaking with the distinguished guests here. I did prepare a presentation, but because of the time limitation, I will express my opinion very briefly.

After an almost whole day of meetings, I heard many people talking about regional economical integration. It seems to me that everybody likes the concept of building a Northeast Asian community toward peace and prosperity. But the problem of the present is that there are still many obstacles in this direction. One thing is that political relations among the three major countries are not so balanced or divided as economic ones. There are some areas of dispute that get even more serious and are hard to dissolve. There is a so-called, as we know, a honeymoon for the economy and a cold winter for politics, which causes a negative influence on economic cooperation and development. To tell you the truth, as entrepreneurs, we’re satisfied with the progress in economic development and cooperation, but sometimes dissatisfied or even worried about some unpleasant phenomena.

So, a couple of suggestions.

Avoid the negative influence of politics on the economy. Politicians from all countries should seek common grounds, while putting aside differences. They should address the overall situation, foster mutual trust and solve contradictions wisely. What we need is a stable and favorable environment. In this, we can do business, can live a peaceful life and enjoy the results of fast growth. I think those are the responsibilities of government and politicians. Really, they should do something concrete and meaningful. Don't just keep talking. Talk is cheap. It is easier to move your lips than anything else.

Besides economy and politics, the third factor, "culture," should be taken into account. Culture also can contribute a lot to the establishment of regional economical integration. The culture of Northeast Asia is characterized as a Confucian-based culture. Confucian culture is far-reaching and profound, which guides people to be kind, loyal, harmonious, peaceful, diligent and to give priority to the family and education, etc. For the past 2,000 years, it has fostered a common and powerful cohesive force among Northeast Asian people. And in the future, its value, function and impact will never be neglected.

As an active factor of productive non-political ties among Northeast Asian countries, the business leaders from China, Japan and Korea should bravely have historical responsibilities. They should view history and the future in the perspective of a pragmatic way. In the future, entrepreneurs can have more voice in the decisions of the policymaking process. Also people need to talk, as the chairman mentioned, to communicate face-to-face like today. So, one of my specific suggestions to the organizers of this forum is would you please consider the possibility of providing the platform and your forum for more entrepreneurs from this basis to get together to communicate with each other to create a bright future? Thank you.

Problems of Global Financial Stability: A Practical Approach

Mikhail V. Ershov

Stable long-term country and regional development is possible only if the monetary and financial environments do not undermine economic fundamentals and a create solid basis for doing international and domestic business.

The domestic component becomes particularly valid since the globalization and global "interdependence" that it creates makes all the economies highly vulnerable to a "financial tsunami." As a result, not only export/import and other international companies are affected but also companies involved in purely domestic operations become subjected to external shocks. This creates a new environment, leaving no "cushions" or "cinches" that might remain intact despite instabilities and could thus help to cope with the unfolding crisis.

Capital flows and exchange rate instability should be most closely watched as the potential sources of crisis. One of the recent G-7 meetings (2005) outlined the role of exchange rates and was correct to emphasize that "exchange rates should reflect economic fundamentals" and that "excess volatility and disorderly movements in the exchange rates are undesirable for economic growth".¹ Regional as well as vehicle currencies at times show excessive volatility, which

may hamper international development.

In view of the foregoing, it is particularly important to raise questions about the aptitude of the system in place, to promptly stabilize the situation when the crisis breaks out.

Indeed, the international foreign exchange system does not look healthy today. In the 1990s, its “mono-centrism” based on U.S. currency, which required the dollar itself as a centerpiece of the system, should play a pivotal role in providing overall systemic stability. And the logical question that was frequently asked was, “How healthy is the dollar?” It is known that its “track record” is not impeccable. It rests on all the distortions of the dollar-creation mechanisms of the Bretton Woods system, which made it possible to avoid the necessary control procedures and built-in safety “cover-ratios” (i.e. “monetary base/gold reserves” in the first place) that could prevent the system from collapse. As a result, the inadequate cover of U.S. dollars by gold made it impossible for the U.S. to do dollar-gold conversions (as the international obligations implied), which caused the collapse of the Bretton Woods system. (Mimeo: In the crisis terminology of the 1990s, the inability of countries to observe their international obligations is

<Table 1> Monetary base of the dollar and reserve assets of U.S. authorities
(1970-1971; 1995-2003)

Ratios	1970	1971	1995	2000	2003
International liquidity*/monetary base	0.15	0.14	0.39	0.21	0.23
International liquidity/ “debt-adjusted” dollar base**	0.033	0.033	0.032	0.020	0.021

* includes foreign exchange, reserve position in the Fund, SDR, official gold reserves (gold is revalued at market price)

** includes monetary base, federal debt, netted out of the U.S. government securities with the Federal Reserve Banks

Sources: Ershov, “Monetary mechanisms of the modern world: crisis experience of the late 1990s,” *Economica*(2000). Author’s calculations are based on the Federal Reserve and the IMF data.

1 Statement of G7 Finance Ministers and Central Bank Governors(London, Fed. 4-5, 2005).

qualified as a “default.”)

The gold/dollar base cover stayed at less than 20 percent prior to the Bretton Woods collapse. At present in the new financial environment, the ratio remains at below 25 percent and with allowance for federal debt which at some point could be monetized and thus eventually transformed into the monetary base, the “would-be” cover goes below 5 percent. (See <Table 1>)

The above data should be also viewed against the backdrop of the continuous growth of U.S. trade and fiscal deficits. The total combination of all the factors makes the dollar-based world monetary system highly fragile. These alerting tendencies have drawn the attention of some economists.

P. Volcker, former Federal Reserve chairman, said that there is a 75 percent chance of a currency crisis in the United States within five years.²

M. Obstfeld, K.Rogoff wrote that the current conjuncture more closely parallels the early 1970s, when the Bretton Woods system collapsed.³

M. Ershov said that the prospects of the U.S. dollar and eventually of the international monetary system look problematic.⁴

The concerted efforts of domestic and international institutions are needed to attain international financial stability, thus encouraging the overall economic development of the world. Coordination becomes increasingly important, as global integration takes root, making national borders less meaningful and often not leaving much room for instruments of national regulators. At the same time, the cumbersome and overly-regulated decision-making mechanisms of international agencies seem to lag behind the rapid pace of the global economy, thus putting this important element of the world economy on an “off-main-stream” ground.

2 “How Long Might the dollar Sink,” *The Economist*(Nov. 13, 2004).

3 M. Obstfeld and K. Rogoff, “The Unsustainable U.S. Current Account Position Revisited,” *National Bureau of Economic Research*(Oct. 2004).

4 M. Ershov, “Monetary mechanisms of the modern world: crisis experience of the late 1990s,” *Economica*(2000).

The further development of regional integration and the emergence of the new “pillars” (the euro and other regional monetary agreements that may potentially emerge) could diversify the “monetary environment,” adding balancing elements to the system. The monetary “mono-centrism,” or more recently, the “bi-centrism” that prevails at present should gradually give way to a more heterogeneous picture of monetary “polycentrism” (with an Asian monetary bloc becoming a significant element, among other things). In total, such “architecture” will make the world economy more balanced and protected from modern risks. At the same time, this will require very close coordination of all the policy measures.

Economic history has repeatedly shown all the vices and virtues of capital flows, which can be a “locomotive” of growth or on the other hand, also put in jeopardy the stability of global and national economies, and thus bring economic growth to a halt. M. Mussa formerly a Member of the U.S. Council of Economic Advisers and Director of the Department of Research at the IMF said that “High openness to international capital flows, especially short-term credit flows, can be dangerous for countries with weak or inconsistent macro-economic policies or inadequately capitalized and regulated financial systems”.⁵

The modern economy should create efficient mechanisms assuring safe and sustainable flows of capital. These mechanisms could play an important role in providing adequate resources for development and at the same time minimizing all the risks that traditionally are associated with the capital flow process. The need for regional/international lenders of last resort becomes more obvious as “bank runs” or other crisis developments occur. The very fact that such “contingency instruments” do exist will play a stabilizing role for market participants.

The “financial stabilizers” should also rely on a system where an adequate balance among all the market players is achieved. Regulators and their instruments of supervision will be a lot more efficient when market participants (companies, banks, etc.) work in compliance with “market discipline” criteria and make business decisions that poise

their own interests with overall economic considerations (similar to the actions of U.S. business in the aftermath of 9/11), enabling stable business and improving the regional and world economic climate.

⁵ E. Kaplan and D. Rodrik, “Did the Malaysian Capital Controls Work?” *National Bureau of Economic Research* (Feb. 2001).

For the Prosperity of the 21st Century

Eiichi Nakajima

First of all, I would like to express my great appreciation for the Organizing Committee's invitation to the Third Jeju Peace Forum, here on the beautiful island of Jeju.

It has been 60 years since Dynatec Corporation, which is now run by me, was initially founded. Its line-up worldwide is now producing some of the world's best products for the international market. We have built a strong center of production in China and are linked with German enterprises in EMI Shield Vacuum Evaporation techniques, thereby promoting greater value-added exchange.

Let me briefly introduce what I think are the "Five Stages of Globalization" for a corporation.

The first stage is the exportation of domestically produced products.

The second stage is the establishment of sales networks in major international markets.

The third stage is to establish production centers in those markets while making sales at the same time.

The fourth stage is to engage in the process of localization, forming a trinity of R&D, production and sales.

The fifth and last stage is the attainment of the highest levels in

human resources, capital, products and information.

When a corporation reaches that fifth stage, it has already become one of the best. The reason for this is that once the corporation acquires the strength of localization and achieves an extensive scale and broad knowledge, it can produce the highest quality products in those regions with the lowest cost of production and sell them in the markets with the highest purchasing power.

In Japan, there are already many corporations that have reached this fifth stage, though it took them more than thirty years to reach that stage. Korea has already reached the fourth stage, while China is making a threateningly rapid growth as exemplified by the 2008 Beijing Olympics and 2010 Shanghai Expo.

These days, we hear almost every day in newspapers and magazines news about the economic movements of many Asian countries, as well as those of ASEAN. Numerous products made in many Asian countries are already widely used in our daily lives.

Furthermore, more and more people are concerned about Japanese industries disappearing from Japan and making a national ghost town, as Japanese corporations move their plants to several other Asian countries.

Especially, the appearance of the so-called BRICs (Brazil, Russia, India and China) and even countries like Thailand, Vietnam and Turkey, which are achieving economic growth rates of more than nine percent a year, serves as an indicator of Japan's economic diminishment.

The problem, however, is that as their economic growth rate rapidly increases, the gap between the rich and the poor enlarges while the destruction of the environment becomes a reality in these developing countries as well.

If we could predict the world changes for the rest of the 21st century, we could understand what Asia would be like. The total GNP of Asia already exceeds that of the United States or the EU. If economic growth in Asia continues at this current speed, it is certain that Asia will be the next super power continent of the world. But it will not be that easy, since it is natural that changes made by Americans and Europeans will follow. Nevertheless, the initiative of a United South-

east Asia like APEC, AFTA and the EU is already happening and having an effect, so it is just a matter of time before Asia becomes the center of the world.

In the case of the three Northeast Asian countries — Korea, China and Japan, it is certain that these countries will come together to form a cooperative someday. However, there still remain divisive political issues (history textbooks, territorial conflicts, etc.) that need to be overcome.

Yet, we three countries — Korea, China and Japan, following the pattern of the EU, should agree to establish a unified currency system. This would create a more active economic correspondence and an opportunity for agreement on FTAs. Thus, we can make the world's greatest market and we should try harder to become the world's central countries in this globalized economy.

Thank you sincerely for listening to my presentation to the end.

Business for a New Generation in Japan

Kazumasa Terada

Hello, it's nice to meet all of you. I am Terada from Samantha Thavasa in Japan. A lot of the time has already passed. I will speak to you shortly for only about three minutes, and so far much of the talk has focused on such things as politics and cutting-edge technology, but in my case I am in the fashion area so I feel that I might be able to make your minds a bit easier and lighter. I'll just take three minutes of your time.

I will tell you a bit about Samantha Thavasa. I started my first business at 25, and at the age of 29, opened Samantha Thavasa. We have eight Japanese brands of bags and jewelry. We have 78 stores in Japan, but our sales total 15 billion yen. Because of that, last year we grew by 120 percent, and this year, our goal is set at a 150 percent increase, with the creation of 30 stores.

This fall, we will open a shop on Madison Avenue in New York in the U.S. and make a domestic corporation there in December. We will become the first Japanese brand to do so. And we plan on going public on the Japanese stock market. At that point, we are thinking of branching out from fashion into various areas through various M&As.

The company known as Samantha Thavasa has been using world-

wide celebrities as its image models for about five years. You all know David Beckham, right? We've used his wife Victoria Beckham and even Beyonce, a member of Destiny's Child, who has won five awards, including an Oscar and a Grammy. And as fashion icons, we use the Hilton group daughter and also top models from Japan, and we are now playing a leading role in many Japanese magazines.

I am engaged in the fashion industry, but my father manages a steel manufacturing company with nearly a 100-year history in Hiroshima. When I was young, I learned much from watching my father. In the manufacturing industry, there was always a gap between those who gave orders and those who received them. For example, in the process of price bargaining, there was no pride or fruitful outcome in making orders and manufacturing in a coercive manner.

This basically created a relationship of superiors and inferiors through subcontracting. In starting a company, to make sure that this kind of thing would not happen, I made sure to build relationships with the manufacturers as business partners. This way, I hoped to allow all of us feel a sense of pride and fruitful results in the work together.

With our new generation, I am now in my 30s, when thinking about what we can do as the new generation, I believe that we should improve the distorted high economic growth created by the generation of our fathers, grandfathers and older colleagues. I think we should make a system that fits with the times. Because I'm short on time, I will summarize.

The other thing I would like to talk about is the basis of our management strategy. Because I have a brand business with good location and good people at its center, I believe that location, people, products and good publicity are important. I have an example in regards to this statement. It's related to creating a good workforce.

At Samantha Thavasa, there are many women in their 20s, who are in charge of a shop. At our company, the common management motto that all the workers share is "results, trust, good rewards," and with everyone believing in and being grounded in this, they have felt benefits and a sense of pride that they never could have imagined before. This allows them to have thoughts that enable them to receive even

more rewards.

For example, among women in their 20s, there are many who are receiving at least 20 million yen a year. By making this kind of new system, I am propelling that business. And I am doing this to help realize a society where the next generation's youth and young women can be blessed with happiness.

In Japan, women's advancement has long been forecast but rarely has it been realized. Making company customs and a system where young women can display their abilities will become a key to future economic development in Northeast Asia. As we try to keep these kinds of views alive, we are hoping to expand into Northeast Asia as an international brand, and each month, we receive many business offers from diverse countries. We feel the benefits of a future expansion of our Northeast Asian business. Through business, the Republic of Korea and Japan have drawn closer, and I hope to play my role in stimulating economic cooperation between the two nations.

Lastly, I thought I might finish by saying some words in Korean. I'm not very good though. Although I'm not very qualified, I was invited here, and today I am truly happy to share this place of exchange with you — people from Korea and countries all over the world. Was my Korean okay? I have one more thing. People from the young generation like me — we should become bridges between countries and through diverse exchanges we should create a history and culture together. Thank you.

PART VII

Shaping Grand Design for NEA Cooperation: National Perspectives

A Korean Initiative on the Peace and Prosperity of Northeast Asia
Shaping a Grand Design for Northeast Asian Cooperation and Community-Building
Northeast Asian Economic Community's Joint and Contradicting Interests
Seoul's Northeast Asian Cooperation Initiative
Northeast Asian Community
Some Thoughts on Community-Building in Northeast Asia

A Korean Initiative on the Peace and Prosperity of Northeast Asia

Su-Hoon Lee

I. Introductory Remarks

One of the goals of the Roh Moo-hyun government is to implement “the Northeast Asian Cooperation Initiative” through an assertive role by South Korea. The term “Northeast Asia” (NEA), of course, is nothing new. However, the notion of “NEA,” as used by President Roh Moo-hyun and his government, represents something distinctive. By emphasizing NEA, the Roh Moo-hyun government is not only separating itself from previous governments but also seeking its own identity.

The notion itself tries to capture the structural transformation of the world order, which has been taking place since the early 1990s. It recognizes the growing importance of NEA in the world system and also the internal dynamism of the region. The region is undergoing a rapid integration, but at the same time, unfortunately, threats to peace and security are mounting. Many people have pointed out the intricate relationship between regional peace and economic prosperity. The current economic spurt in the NEA region could be jeopardized unless it establishes a sustained peace. In this context, the instability on the Korean Peninsula is the key element. Therefore, the notion recognizes

the necessity for the Korean Peninsula to overcome its division and to establish a peace regime to eliminate the sources of major security threats to the region. Without peace on the Korean Peninsula, sustaining peace in the NEA region is almost impossible. As you can see here, this notion represents not simply a nationalistic initiative, but its scope moves beyond Korea to include regional interests.

There have been ideas and initiatives concerning national development prior to the Roh administration. Ideas like “business hub in NEA” and “hub state in NEA” have been entertained since the early 1990s. But those have been essentially a national economic development strategy. The hub model is nothing new. In fact, it has been widely implemented in countries such as China, Singapore, Taiwan and Japan. There is no denying that South Korea has tried to emulate it in its own way but without much success. Actually, the Roh government too has a business hub strategy to develop the South Korean economy.

Nevertheless, when it comes to the NEA cooperation initiative, the story becomes broader and more complicated. Time and again, President Roh emphasized that his initiative on peace and prosperity in NEA must be distinguished from a national development strategy. His initiative does not exclude economic concerns, but it represents a more comprehensive and bolder vision toward regional integration. Given the ongoing regional integration process, it tries to accelerate economic cooperation and peace-building.

The initiative also embeds North Korea into the larger regional framework of NEA. It tries to approach the issue of North Korea within this framework and in turn by carrying out various NEA cooperative projects tackle the problem of North Korea.

Hence, the objective of this paper is to elaborate a Korean perspective of how countries in NEA should cooperate to consolidate and institutionalize peace and prosperity. First, it explores the issues involved in the new initiative proposed by the Roh Moo-hyun government. Second, it discusses its goals and strategy. Third, it tries to fill its contents through categorizing four areas. This paper does not intend to present itself as an academic analysis but rather a presentation of ideas with policy implications.

II. Issues of the New Initiative

1. Advent of the NEA as a Reality

The potential for NEA to take a leading role as a dynamic force in the formation of the global order has increased exponentially. The rapid postwar recovery in Japan and the swift 1970s-80s development throughout East Asia have by and large raised the numerical value of this exponent. Multiplied by the geopolitical and geo-economic reorganization of the post-Cold War world system in the 21st century and China's evolution from communist ox cart to capitalist engine at the end of the 20th century, this numerical value increases even further.

In the midst of accelerated integration, the reality of NEA already involves well-established regional trade, precedence on industry within the global economy, and a highly regarded reputation in the international community. The miracle economies of Japan and South Korea helped establish a new paradigm for resource-deficient, agrarian-based Asian nations to gain recognition from and seek parity with Western economies. Distinct policymaking and implementation geared toward their own culture and local environment, buttressed by a strong national inclination toward aggressive pursuit of economic growth, accounted for their successes,¹ all of which emphasize the diversity of Asia's dynamism in the pursuit of prosperity.

Equally impressive have been the recent achievements of China. Well-known is China's similar command to capitalist transformation, cautious yet sustained opening, and increasingly outward vision that promises China a dominant influence on the global market and the shifting world order. China's ascension to the World Trade Organization (WTO), recent manned space flight (the Shenzhou mission) and winning the right to host the 2008 Olympic Games all represent its extraordinary gains, outward vision and broader push for international recognition, cooperation and integration.

Russia as well is now beginning to rebound from its post-perestroika

¹ Jon Woronoff, *Miracle Economies* (Armonk, N.Y.: M.E. Sharpe, 1992).

difficulties, including poverty and instability, which were not adequately addressed under IMF programs and funding.² In the context of NEA, Russia currently is emphasizing cooperative regional economic development, especially in the area of oil and gas exploration and pipeline construction in China and the Russian Far East, cooperative security initiatives, and even cultural cooperation (e.g., establishing the Russian-Chinese culture commission in Moscow in December, 2000; signing the Sino-Russian Good-Neighborly Treaty of Friendship and Cooperation in June 2001).

What is significant in the region's pursuit of prosperity at this juncture in time is the growing collaboration and cooperation among these nations, putting them onto a path toward integration. But considering the scars of the region's history and "here-today-gone-in-a-millisecond" nature of the global business beast, sustainable growth for NEA nations cannot be achieved unless certain barriers to integration are addressed and further measures toward mutual trust and co-prosperity are accelerated. The Roh government readily acknowledges this fact: "Commodity trade, a low level of economic cooperation, is not enough to help resolve trade imbalances ... Thus, closer cooperation will be needed in the fields of capital and technology. Based on such an advanced cooperation, the NEA countries will have to develop their relations into an EU-type economic bloc in the long term."³ Though other governments are recognizing this too,⁴ the Roh government has chosen to address this more aggressively.

2 Augusto Lopez-Claros, "The Recipe for Success," *Newsweek* (special ed.), October-December 2003, p. 37.

3 "Steps toward Northeast Asian FTA," *Asia Times* (online ed.), July 10, 2003. Online at www.atimes.com/atimes/Korea/EG10Dg02.html.

4 "[T]he rest of Asia is benefiting from China as a powerful source of external demand. China, committed to promoting Asian economic integration, will continue to 'inject vitality' into the region's growth in the years ahead." (China's Assistant Minister of Commerce Fu Ziyang and World Bank chief economist Homi Kharas speaking at a seminar in Beijing on Sep. 8, 2003). "Injecting vitality into Asian growth," *China Daily* (online ed.), Sep. 9, 2003. Online at www1.chinadaily.com.cn/chinagate/doc/2003-09/09/content_262655.htm.

2. What is NEA?

Fundamentally, the notion of NEA represents "a new spatial imagery," an imagery that encompasses not only South Korea, China and Japan but also North Korea, Russia and Mongolia. Though other well recognized terms are spoken when these nations collectively form the topic of discussion or members of a committee, they customarily all resonate as being inappropriate. For example, "East Asia" generally indicates the countries of Korea, China, Japan and Taiwan, but when used more broadly it generally includes Southeast Asia as well and carries a connotation that is pervasively more economic than anything else. "Asia-Pacific," another widely used term – still very popular in the United States and Japan – also falls short of the mark as this tag is primarily stitched to contexts emphasizing Oceanic Asia, focusing chiefly on the Pacific Rim.

In its own way, the notion of "NEA" as used here distinguishes itself in two ways. First, it places a greater emphasis on Continental Asia, that is, primarily China, while also encompassing the Russian Far East. Second, under the Roh Moo-hyun government, the new notion stipulates a more open and flexible ideal than the past notion of NEA, which was predominately used with regard to security matters.

Likewise, the NEA initiative requires a different epistemological understanding as well. It is not simply the idea of "Northeast Asian hub state" or "Northeast Asian business hub." Instead it goes beyond economic concerns and incorporates the domains of security, culture, energy and environment. In addition, it realizes the vital importance of resolving one major point of regional instability and discord that has persisted in keeping Asia from realizing its full potential: the division of the Korean Peninsula. This idea thus intends to structurally link the problem of the Korean Peninsula with NEA.

The notion of NEA is also a proper starting point for beginning the "restoration of Asia." A new historical epistemology and a new worldview, one that sheds the Eurocentric historical worldview, are needed. Overcoming the "power shift" in the 19th century between Europe and East Asia and the ensuing European ethnocentric historical understanding and worldview, which functions as a major barrier to univer-

salism, our aim involves the “Restoration of Asia” within our own framework of thinking. Solving the problem of the Korean Peninsula is one step that will lead to this restoration under an Asian framework. And from here, the new era of NEA can aim toward overall integration in Asia on the basis of peace and prosperity. It should be clear that we do not intend to propose another version of centrism based on Asia.

3. Korea’s Role in the NEA Initiative

It is important that the Roh government’s new initiative for promoting peace and prosperity in NEA not be misconstrued as a simple business “hub economy” project. The economic portion of this initiative does include a “hub” ambition for Korea, but the initiative is much more than that.

Though significant growth in NEA has occurred over the last century, it is regrettable that the common history of the region has been one tarnished by colonialism, conflict, oppression and mutual aversion, written largely in obstinacy and blood. Putting this past to rest by rewriting this common history with peace and prosperity will not be an easy publication. Multi-authored works never are. But after several drafts and countless revisions, they tend to be the most fruitful productions. At this point in NEA’s history, this work toward peace and prosperity must become the imperative, not only because its pages will script the future for the following generations but also that of other regions, and ultimately the environment we all share.

Thus, initiative is needed for the region to move in a unified direction. Though several barriers block the movement toward regional solidarity and integration, and cloud NEA’s future, one predominant barrier that must be overcome is the rivalry between Japan and China. Japanese imperialism of the 20th century and history of the Japanese Army in China during World War II have left third-degree scars on the Chinese psyche. Despite warming relations between Japan and China, distrust still lingers like a faint smoke.

History, memory and national myths represent the greatest obstacles to an improvement in Sino-Japanese relations and pose the great-

est dangers for future conflicts between these two Great Powers — not so much because these issues themselves give rise to confrontation but because they catalyze minor disputes over other issues into serious bilateral squabbles. These ideational differences are less tractable than the kind separating China and the United States over Taiwan. They do not revolve around particular tangible stakes and cannot be nudged in the direction of resolution through innovations in political arrangements. Quite simply, the Chinese and Japanese neither like nor trust one another. In each society, past, present and future conflicts with the other feed and reinforce national myths of loss and humiliation.⁵

The Korean psyche, too, suffers from some of these scars and still harbors some distrust. Historical bonds, shared pain and regional proximity may have allowed South Korea to foster friendlier, relatively more robust relations with China within the span of a decade-plus than has Japan. But unlike China, South Korea has also had a greater length of time to reconcile with Japan and develop an overall more confident relationship with Japan, economically and culturally, as evidenced by the recent move toward advanced government-level discussions on a bilateral FTA, Seoul’s repeal of the remaining import barriers against Japanese cultural products and the success of their 2002 World Cup partnership. In this respect, South Korea stands as the only country that can realistically serve as a mediator to help neutralize the Sino-Japanese rivalry barrier. Hence, Korea’s role is central if the continental and maritime powers are ever to merge into a Northeast Asian community.

However, while taking that central role, if South Korea is to realize its ambition to build itself into a “thriving transnational hub economy,” it will have to draw North Korea into it.⁶ Likewise, for NEA to achieve lasting peace and sustainable prosperity via integration, it

5 Yoshihide Soeya, Jianwei Wang and David A. Welch, “A New Look at the U.S.-China-Japan Triangle: Toward Building a Stable Framework,” *Asian Perspective*, vol. 27, No. 3 (Fall 2003), pp. 215-16.

6 Woo-Cummings, “Three Mirrors for Korea’s Future,” speech given at the University of Michigan (April 21, 2003). Online at www.changbi.com/english/related/related19_1.asp.

must engage North Korea. Thus Korea must also invoke the assistance of its neighbors to overcome its own tragic division and the current crisis arising from that division, namely the North Korean nuclear crisis. If a Shakespearean tragedy is to be avoided on the Korean Peninsula, other regional and outside actors must make a binding commitment to tackle the roots of the North Korea crisis. It does not envision reunification of the two Koreas in the short or medium term via collapse of the regime in Pyongyang, but it does require that the denouement to this nuclear impasse be actor-written. Establishment of the “six-party talks” to address the nuclear issue is a positive sign that all the actors are committed to what should in the end be an ongoing effort to assist in North Korea’s economic rehabilitation and transformation into a reliable member of the international community. Finding a solution to this issue is in itself a precondition for realizing regional prosperity and increased global security. Thus, as the actors perform, and as the final scene unravels to its end, the heroic action must not be a call to arms but an invocation of peace to diminish the tensions, nullify instabilities, work toward a “co-prosperity” that includes North Korea, and in the long term, end the suffering of the nation’s divided peoples.

What also puts Korea in this role is its impressive record as a rapidly growing democracy, accentuated by its well-organized and rapidly maturing civil society. Democratization and activation of civil society experienced by South Korea have been impressive: “instead of Molotov cocktails, Korean students may stand vigil in candle light demonstrations ... a place where people exercise the First Amendment rights of the U.S. Constitution more freely than the Americans seem to do these days.”⁷ This aspect of Korea, too, places it in a good position to help China and Japan reconcile. As it stands, considering the scars on the region’s history, South Korea’s progress in establishing healthy relations with all of its regional neighbors and its vibrant democratic society, makes it stand out as the only country that can serve as a mediator to help neutralize the rivalry and heal the wounds of historical misfortune between Japan and China. Thus, with collective prosperity for all and integration built on a foundation of peace, Korea’s role should be

⁷ Ibid.

fully carried out to realize the vision of the era of NEA and help merge the region into a Northeast Asian community, with a long-term vision of establishing an Asian Union.

III. Goals and Strategy of the New Initiative

1. Goals

The primary goal of the new initiative is to construct a peaceful and prosperous Northeast Asian community, with the ultimate aim of forming an Asian Union. To realize this grand vision, several smaller goals need to be achieved. The first is freeing the region from the threat of war. This will require two things: denuclearization of the Korean peninsula, and building mutual trust and a basis for verifying the establishment of regional peace and the peaceful resolution of conflict.

Second, regional cooperation and maximization of growth potential must be sought. These can be tackled, in part, by expanding regional cooperative enterprises and institutionalizing foundations for further cooperation.

And third, there must be a comprehensive realization of regional peace, economic development, energy resource supply and environmental protection. In this sense, there must be sincere efforts to accelerate regional cooperation in the energy and environment sectors in order to promote “sustainable development” and a quality of life that envisions a “green” world for the region’s peoples. This final goal, more than the others, may prove most promising.

2. Strategy

It goes without saying that to achieve these lofty goals and overcome existing obstacles, much effort will be needed. But before the effort is made, a strategy must be laid. Lessons from European integration may assist in laying these plans.

Europe has undertaken some of the most significant and far-reach-

ing steps toward regional integration in the history of international relations. The portrait of Europe in the aftermath of World War II was a region in ruins. Regional leaders realized that to avoid a repeat of this destruction and to put the countries within the region onto a path of political, economic and social recovery, state-centrism, for the most part, would have to be abandoned and an amalgamated security community promoted. It was believed that this could be achieved through functional sectoral integration, which began with cooperation on the management of resources, namely coal and steel. It was widely believed that integration in this sector would reduce the capability of the signatories to use these resources for narrowly defined national interests and thus act as a monitor on the war-potential of each state. Thus the first giant cooperative step came with the creation of the European Coal and Steel Community (ECSC), a product of the Treaty of Paris of 1951. Significantly, the ECSC, in its institution building, became the role model for the 1957 Treaty of Rome (1957) organizations: the European Economic Community (EEC) and the Atomic Community (ATOM). Thus it was clear that a firm commitment had been made by a significant number of politicians and the public in the founding six states for the goal of developing closer forms of economic collaboration over the long term. In Europe, there were political and personal elements that contributed to integration. Europe had the fortune of shared political will and figures like Jean Monnet and Robert Schuman.

The 1969 summit at The Hague then produced the Economic and Monetary Union. The European Community (EC) expanded over the decades, with the ultimate acceptance of the principle, adopted in June 1993, that former Soviet-bloc countries also be allowed to seek membership. The pinnacle achievement, however, came in 1992 when the Maastricht Treaty fused the political union, and the economic and monetary union into one, thus elevating the European Community into a European Union. Thus over little more than half a century, the community has come a long way, thanks largely to its shared vision and planning, ability to accommodate change, and allowance for its initial successes in one sector to “spillover” into others.

Like Europe’s ECSC, NEA might best approach integration by focus-

ing on energy resource cooperation. Considering the geopolitical dynamics of the region and current joint projects in the region’s energy sector, energy cooperation in the natural gas field stands out as the best first step. Dialogue that leads to commitment on cooperative projects in this sector that deal with resource development, supply and management could lead to productive “spillover” into the economic, environmental and service sectors, among others, and over time help to build trust among project members. Thus, mapping out a strategy aimed perhaps at the concrete promotion of small-scale energy related projects and the creation of a justifiable vision with increasing support from the people can lead to an expansion into large-scale, long-term projects.

Progress, of course, is evolutionary and sometimes unpredictable. As with European integration, progress toward realizing a Northeast Asian community should start with an interest in security and peace. From here, a community can be developed through synergy of dialogue, cooperation and trust.

IV. Contents of the NEA Initiative

1. Peace and Security Cooperation

To build a peace regime on the Korean Peninsula and realize the idea of a peace community in NEA, several tasks will need to be done. To begin, more than anything else, the current, ongoing North Korean nuclear crisis has to be resolved through peaceful means. South Koreans and the peoples of the region are very aware that nuclear proliferation endangers NEA’s future. The actors in the region seem committed to a “nuclear-free” peninsula. North Korea must abandon its nuclear programs. Nuclear programs will not help the DPRK achieve its intended goals of regime security and economic rehabilitation. Rather, they will more likely invoke additional threats to Pyongyang. The best way for Pyongyang to achieve its intended objectives would be for DPRK leaders to find ways for North Korea to become a credible, reliable member of the international community. Brinkmanship has

worked in the past, but in hindsight such diplomacy brought little to Pyongyang. The contemporary international environment is very unfavorable to North Korea and those who employ strategies of brinkmanship.

After evaluating its interests,⁸ China decided to audition for the role as credible mediator to the present escalating North Korean nuclear crisis and thus persuaded North Korea to partake in the six-party talks last August, 2003.⁹ In this way, Beijing has been successful in convincing Pyongyang to a multilateral dialogue table in which Seoul was also seated. This is a positive step toward the common goal of denuclearization of the Korean Peninsula.

But this goal of denuclearization is a long-term project. In order to achieve this goal, the six-party talks should make substantial progress. The talks themselves are not a temporary phenomenon but should be sustained as a pseudo-institution that can be transformed into a more

8 "China's policy calculus toward the DPRK, both in general and in the current crisis, involves a hierarchy of several interrelated interests: DPRK regime survival; DPRK regime reform; maintaining and developing more comprehensively robust relations between China and South Korea; establishing China's dominant external influence over the Korean Peninsula (North and South); integrating the North and the South, through economic and social means, leading to political unification over time; and un-provocative and responsible North Korean behavior on security issues, ranging from its nuclear weapons program to proliferation of other weapons of mass destruction (WMD) and their means of delivery to the deployments of DPRK conventional forces." David Shambaugh, "China and the Korean Peninsula: Playing for the Long Term," *The Washington Quarterly*, vol. 26, No. 2 (Spring 2003), pp. 43-56.

9 "Following President Roh's visit to Beijing, Vice Foreign Minister Dai Bingguo, former head of the International Liaison Department of the Central Committee of the Chinese Communist Party, met with top North Korean officials on July 12-14, including six hours of meetings with DPRK Central Defense Commission Chairman Kim Jong-il ... President Hu Jintao sent with Minister Dai his personal letter urging continued talks with the United States over the North Korean nuclear issue. President Hu's letter is reported to have promised China's sincerity in facilitating negotiations to resolve the U.S.-DPRK crisis, an increase in economic aid to the DPRK and a promise to persuade the United States to make a nonaggression pledge to the DPRK in return for the denuclearization of the Korean Peninsula." Scott Snyder, "Middle Kingdom Diplomacy and the North Korean Nuclear Crisis," *Comparative Connections*, vol. 5, No. 3 (October 2003), pp. 113-18.

institutionalized body, such as a "Multilateral Peace and Security Council in NEA."

This proposal can only be realized in the long term and does not devalue the bilateral cooperation that has been taking place in the region in terms of security. China has also been actively fostering security relations with Russia and its immediate neighbors to the west, creating the Shanghai Cooperation Organization (SCO) to counter terrorism, extremism and separatism in the region, an endeavor taken well before the U.S. 9/11 attacks in 2001. Since the SCO's inception, China has, for the first time, participated in multinational military exercises with the other SCO members - minus Uzbekistan - code-named "Interaction-2003," evidence of the regional organizations' deepening process of integration.¹⁰ A recent SCO meeting in September 2003 also revealed the spillover effect of this security organization, as the members' premiers met in Beijing to promote economic cooperation at the regional and multilateral level among its members, signing the "Multilateral Economic and Trade Cooperation of the SCO," which is the first step for the final goal of establishing a SCO free-trade zone or "modern Silk Road."¹¹

2. Economic Cooperation and Integration

To prepare the foundation for NEA economic integration, promoting friendly diplomatic relations within NEA will need to be a part of the overall strategic vision. Deepening friendly diplomatic relations can then lead to deeper economic cooperation, something that needs to vitally take place among Korea, China, Japan and Russia. At the China-South Korea summit meeting in Beijing, President Hu and President Roh reviewed objectives to enhance the China-South Korean "comprehensive, cooperative partnership." Both leaders agreed that improvement of bilateral cooperation in the technology and energy

10 Frank Ching, "China Seeks to Extend Regional Role," *Korea Times*, Oct. 1, 2003; Yu Bin, "The Russian-Chinese Oil Politik," *Comparative Connections*, vol. 5, No. 3 (3rd quarter, 2003), pp. 137-47.

11 Yu Bin, p. 141.

sectors is needed (the establishment of a Korea-China Industrial Cooperation Committee for information technology and biotechnology sharing being one example).¹² Japanese newspapers have also noted President Hu's leadership as exhibiting "new thinking," placing a high priority in developing productive and positive good relations with Japan,¹³ where economic relations also are expanding, as two-way trade between China and Japan rose in the first half of the year despite the SARS epidemic.¹⁴

In fact, trade and economic cooperation is exploding. Korea-China trade has been intense, averaging over 20 percent growth year-on-year. In September 2003, China became the number one export destination for Korea, upsetting the perennial, the United States, and is likely to become Korea's top export trade partner for the year 2003. Likewise, Russia's trade and investment with its regional partners have increased since the Cold War ended (especially with China and Japan). Bilateral trade between Russia and China alone has increased substantially and is expected to reach \$13-\$14 billion this year.¹⁵ Such increased trade among its Asian neighbors is something that the Russian president would like to see continue, as his recent "integration-applauding," "protectionism-booing" speech would suggest.¹⁶ In the area of technology cooperation, China, Japan and South Korea recently announced the near completion of a plan to cooperatively develop an open-source computer operating platform, one that would replace the U.S.-made Windows.¹⁷ In the banking sector, banks

12 Scott Snyder, "Middle Kingdom Diplomacy and the North Korean Nuclear Crisis," *Comparative Connections*, vol. 5, No. 3 (October 2003), pp. 116-17.

13 James Przystup, "Bridges to the Future, Reflections on the Past," *Comparative Connections*, vol. 5, No. 3 (3rd Quarter, 2003), p.124.

14 Ibid.

15 Yu Bin, p. 137.

16 Vladimir Putin, "Russia wants to ride APEC train to success," *Straits Times* (online ed.), Oct. 15, 2003.

17 Three North Asian countries are closer to signing a deal to co-develop an open-source operating system to replace Windows, according to the Japan news daily Nihon Keizai Shimbun. The agreement is likely to be announced this week by Japanese Trade Minister Takeo Hiranuma at an economic ministers' meeting in the Cambodian capital of Phnom Penh, said the report, quoting unnamed

from China, South Korea and Japan inked a trilateral accord on foreign exchange cooperation in August 2003 that signals progress on financial cooperation at the government level, giving an impetus to the ROK-PRC-Japan regional economic integration.¹⁸

But to deepen and foster commerce and trade even further, bilateral Free Trade Agreements (FTA) need to be concluded. Individually, the three markets of China, Korea and Japan could never match that of the United States or the European Union. Grouped together, however, they would account for 24 percent of the global population and 18 percent of the global gross domestic product. In partnership, these three, along with the Russian Far East, could be competitive. Though a trilateral partnership in free trade is forecast to raise the GDP of China, Korea and Japan by between 0.5 to 3 percent — a "win-win-win" formula for all — it may be too big a leap for countries that do not even share bilateral FTAs or bilateral investment treaties (BITs) among one another.¹⁹ Thus, starting with bilateral FTAs is the realistic initial move

sources ... The deal will tie China, Japan and Korea in efforts to develop the software. Representatives from both private and government agencies will meet later this year to discuss the terms of the collaboration, said the report. It is likely that this new effort requires international cooperation because it aims to develop open-source operating systems for non-traditional sites. As reported in CNETAsia earlier this year, the move to jointly develop a server operating system based on Linux began in March with a meeting in Thailand of over 100 software engineers from the three countries. The group includes representatives from universities and regional companies like Sharp and Toshiba. All three countries involved already have thriving Linux software developer communities, especially in embedded Linux, the small-footprint operating system used in devices such as set-top boxes and industrial machines ... The three governments have previously pledged support for open-source software, citing security and cost concerns. "China, Korea, Japan to seal open-source deal," CNETAsia, Sep. 1, 2003. Online at asia.cnet.com/newstech/applications/0,39001094,39148863,00.htm.

18 Signatories were the Bank of China, the Korea Exchange Bank (KEB) and Japan's Sumitomo Mitsui Banking Corp. The accord is the first of its kind in the three neighbors' banking history, with the agreement promising to facilitate cooperation in the settlement systems and network channels. "Joint banking deal good for free trade," *China Daily* (online ed.), Aug. 8, 2003. Online at www1.chinadaily.com.cn/chinagate/doc/2003-08/21/content_257058.htm.

19 "Korea-Japan-China FTA still a dream," *Korea Herald*, Oct. 8, 2003.

to make. So far, results from the Korea-Japan feasibility study on a ROK-Japan bilateral FTA have been positive enough to convince both leaders to announce in late October 2003 that official government-level negotiations to reach a bilateral FTA will begin this year, and suggested that a deal could be concluded by 2004 or 2005.²⁰

Besides establishing FTAs arrangements, other tasks should be tackled. They include promoting and building an overarching regional logistics and communications network within NEA, institutional infrastructure through a sustained reformation of economic institutions and business practices, and regional energy and environmental cooperative projects (which will be discussed later).

Another task should be the establishment of an NEA Development Bank (NEADB) to promote economic cooperation and finance Northeast Asian regional projects. We have the Asia Development Bank (ADB), but its energies have been directed more toward South Asia, and its focus is not really to finance cooperative projects but to deliver social welfare services (i.e., education, health, poverty elimination, etc.). After the 1997 financial crisis in East Asia, there has been serious discussion among East Asian political and business leaders to establish a financial institution that will enable the region to manage future financial crises independent of outside actors. Their long-term goal appears to be the creation of an "Asian Monetary Fund" (AMF) — an Asian counterpart to the International Monetary Fund (IMF). In a similar vein, there has been discussion about creating a regional development bank. Some experts believe "that the political and economic incentives to create an effective regional financial institution are not enough to overcome the historically defined identities, interests and regional rivalries that limit institutionalism in East Asia,"²¹ or that Washington opposes such a development bank. However, considering the activity toward cooperation and Washington's concern for security in NEA, there is no reason to believe that an NEADB is an impossible

20 "Korea, Japan agree to open full FTA talks," *Korea Times*, Oct. 21, 2003.

21 Shaun Narine, "The Idea of an 'Asian Monetary Fund': The Problems of Financial Institutionalism in the Asia-Pacific," *Asian Perspective*, vol. 27, No. 2 (Summer 2003), pp. 65-103.

venture, or that Washington would oppose such a prospect that would ultimately assist in the funding of regional projects (i.e., gas pipeline construction, regional grid interconnection work, cross-border rail and road linkage projects, etc.) and enhance security by fostering prosperity.

And a final task for serious consideration is the completion of the "Iron Silk Road" from Japan to Europe via a linkage of the Trans-Korean Railway (TKR) and the Trans-Siberian Railroad (TSR). The merits for such are obvious from the viewpoint of prosperity. Such would accelerate transportation of exports from the region to Europe and open up European and Asian markets for healthy competition and business cooperation. Even more positive, transit royalties will provide Russia additional revenues and, more importantly, provide North Korea with a new significant source of revenue to help it in its overall economic and transportation sector rehabilitation efforts.

3. Cultural Interaction

Promoting the cultural identity of NEA and a paradigm of reciprocity and cooperation may include the utilization of the shared Confucian cultural heritage of NEA to form a cultural community that corresponds to that of Europe. Promoting Northeast Asian cultural exchange would be essential to creating cultural identity and maximizing the cultural dynamics of NEA. In this effort, the 2002 World Cup was a monumental event in Korean-Japanese cultural cooperation, bringing the two countries together in a partnership that helped the Korean-Japanese healing process. Younger generations benefited greatly from the interaction, as negative perceptions of each other have begun to diminish.

Efforts must be made to develop the capacity of NEA to embrace diverse cultures, promote intercommunication and mutual understanding on the basis of cultural openness to overcome exclusive and detrimental national ethnocentrism, and establish an institution to promote human and cultural exchange for the benefit of future generations. In this regard, Korea and Japan once again have made great gains, having declared the year 2002 as a Year of Japan-Korea National Exchange. Two of the major projects that came out of this initiative

were the Japan-Korea Court Music Exchange Concert (May 2002) and Japan-Korea Citizens Exchange Festival (September through November, 2002).

Recently, leaps have also been made by both China and Russia in the cultural field. Chinese President Hu Jintao and Russian President Vladimir Putin expressed their wishes that more efforts be made to strengthen Sino-Russian cultural ties in messages presented at the “China Week” festival in St. Petersburg, Russia, in August 2003, stating that strengthening cultural exchanges can improve cultural understanding, enrich and develop the two cultures, and expand common grounds for friendly cooperation.²²

Cultural cooperation can also take place via joint development of the culture industry. Expanding current bilateral cultural cooperation between Korea and Japan, and Korea and China, to trilateral (Korea, Japan, China) cultural cooperation would be a positive next step. Sharing cultural products and promoting artistic collaborations between Chinese, Korean and Japanese musicians, film stars, directors, among other artists, would be a positive step forward. Cultural industry cooperation among countries in the region by advancing the popular culture industry through the promotion of joint development and distribution of cultural works (film, popular music, etc.) would be encouraging. Collaborative development of cultural enterprises should also help advance cultural exchange and intercommunication between the peoples of the region. Recently, Korea’s repeal of the final import barriers to Japanese cultural products (pop music, video games, etc.) is one positive sign of the nation’s growing self-confidence and both countries’ willingness to begin this process at the bilateral level.

Another step in the right direction would be to increase Northeast Asian consciousness by promoting joint development of history curricula. Through this process, future generations could reach for the possibility of a “restoration of Asia.” This is important considering that Chinese history books still contend that, along with the United States,

22 “Chinese, Russian President Call for Strengthened Cultural Ties,” *People’s Daily*, Aug. 21, 2003. Retrieved from NAPSNET at www.nautilus.org/napsnet/dr/0308/AUG27-03.html#item16.

South Korea was the “aggressor” and that Chinese People’s Liberation Army “volunteers” were “liberators” during the Korean War. Likewise, while recently rewritten Japanese history books acknowledge past atrocities during Japanese imperialism and World War II, the texts are still heavily criticized in China and Korea for their lack of specificity and repentance. These, among other history issues, will need to be redressed at some point in the future if long-term cooperation is to be assured between Beijing, Seoul and Tokyo, and if we are to move along a path that leads to “restoration.”

4. Energy and Environment

Multilateral cooperation is essential for NEA as it moves toward greater economic integration in the 21st century. Economies in the Northeast Asian region will drive expansion of energy demand in the new era as “Asia is likely to account for more than half of the world’s total increase in energy demand” by 2015.²³ NEA’s growing demand for oil alone and current dependence on oil imports from the Persian Gulf stimulate a need to diversify the type, sources and uses of energy. China, Japan and South Korea will need to diversify energy sources for energy security and sustainability, as well as for environmental reasons, as local, regional and global environmental impacts will necessitate a move to cleaner, more highly efficient fuels. For Northeast Asian countries, natural gas stands out as a key resource for potential exploitation because of its “wide range of applications and environmental advantages,” and potential for reducing the region’s reliance on oil imports from the increasingly politically unstable Persian Gulf.²⁴ The heightening of terrorism in the post-9/11 environment and present political instability in key global energy resource supply countries prompt review of the sustainability of the current energy supply chain, something that has provoked President Putin to reiterate

23 Vladimir I. Ivanov, “Energy Security and Sustainable Development in NEA: Prospects for Cooperative Policies,” *ERINA*, June 2001. Online at www.erina.or.jp/En/E/HPlib.html.

24 Ibid.

Russia's commitment to make practical, effective and mutually beneficial contributions to repel these threats to economic prosperity and peace through the continued "development of a new energy structure in the Asia-Pacific region ... through the creation of a system of oil and natural gas pipelines and tanker delivery of liquefied natural gas from the eastern areas of Russia," for which bilateral engagements with adjacent countries have been well underway for some time.²⁵

Also related to the threats against NEA's energy supply chains are the most recent events surrounding North Korea's nuclear developments. The urgency of creating a viable and attractive alternative to tackle this gravest of concerns and forge new productive relationships that will ensure human and environmental security and allow the pursuit of co-prosperity is palpable. North Korea's economy has been suffering due to a severe energy shortage.²⁶ Many experts acknowledge that what North Korea really wants is for the international community to rescue its economy.²⁷ Hence multilateral cooperation in the energy sector should equally be viewed as a valuable means of not only improving regional energy supply chains and cooperation but also regional security. For this goal, North Korea must be let into the fold. Thus, multilateral investment in the exploitation of Russia's abundant reserves in the Russian Far East and multilateral cooperation on the construction of a natural gas pipeline across the region is a viable means of activating much needed regional energy cooperation that holds the promise of providing a medium- to long-term resolution of the DPRK nuclear issue and weaning the Northeast Asian economies off energy supplies from the Middle East.²⁸

25 Vladimir Putin, "Russia wants to ride APEC train to success," *Straits Times* (online ed.), Oct. 15, 2003.

26 James H. Williams, David Von Hippel and Nautilus Team, "Fuel and Famine: Rural Energy Crisis in the DPRK," *Asian Perspective*, vol. 26, No. 1 (Spring 2002), pp. 111-40.

27 Michael E. O'Hanlon and Mike Mochizuki, "What North Korea Wants: Rescue its Economy," *New York Times*, Aug. 6, 2003.

28 Su-Hoon Lee and Dean Ouellette, "North Korea and Energy Assistance: Promoting a Northeast Asian Cooperative Regime," *IFES Forum*, (May 2003), online at ifes.kyungnam.ac.kr/ifes/ifes/eng/activity/05_ifes_forum_view.asp.

Acknowledging the facts and omens, accelerated pursuit of energy sector cooperation projects may provide the most practical, sound and politically acceptable solution to NEA's security crises and energy concerns.²⁹ So far, Russia (RUSIA Petroleum) and China (China National Petroleum Corporation) are currently undertaking a feasibility study for a gas pipeline to be built from Russia's Irkutskaya Oblast (Kovykta deposit) to China. In addition, Rao Gazprom (Russia) and Stroytransgaz, the Royal Dutch Shell Group and Hong Kong & China Gas Co., plus the ExxonMobil Corporation and CLP Holdings signed a memorandum of understanding on JVs with PetroChina in July 2002 to share project risks and expertise on constructing an west-east natural gas pipeline across China.³⁰ In the long run, it is desirable for China to diversify away from coal to gas for household use.³¹

Russia boasts an untapped resource-rich area in the Russian Far East and Siberia but is plagued with poor infrastructure and a declining population and economy in the area. With limited capital to tap these resources, the former juggernaut of the Soviet Union must seek investors so that it may become a major exporter of oil and natural gas to its neighbors (China, South Korea, Japan) and become the energy supply center for Asia.³² Development is also seen as a means of stem-

29 Ibid.

30 For more detailed discussions of this project, see Keun-Wook Paik, "Sino-Russian Oil and Gas Cooperative Relationship: Implications for Economic Development in NEA," a paper presented at the NEA Cooperation Dialogue XIII Infrastructure and Economic Development Workshop, Moscow, Oct. 4, 2002; Keun-Wook Paik, "Natural Gas Expansion in Korea," in Ian Wybrow-Bond and Jonathan Stern, *Natural Gas in Asia: The Challenges of Growth in China, India, Japan and Korea* (Oxford: Oxford University Press, 2002), pp. 188-229; Keun-Wook Paik, "Sino-Russian Oil and Gas," paper presented at the conference on NEA Energy Cooperation, Washington DC, Jan. 7, 2003; and Selig S. Harrison, "Toward Oil and Gas Cooperation in NEA," *Asian Program Special Report*, Woodrow Wilson International Center for Scholars, December 2002. Available online at www.keia.com/PolicyForum/NortheastAsiaEnergy/Harrison.pdf.

31 Zhang Aling and Shi Lin, "Prospects for and Impacts of Diversifying Fuel Use Away from Coal." Online at www.nautilus.org/energy/eaef/C2_final.pdf.

32 Elena A. Telegina, "NEA and Russia's Energy Exports in the 21st Century," *ERINA Report*, vol. 35 (August 2000). Online at www.erina.or.jp/En/E/HPlib.html.

ming the Far East region's economic and population declines. Foreign investments in the region's energy sector may provide a workable solution to this problem. So far, Russia is currently involved in building a gas pipeline in China (Gazprom/Shell Joint Venture to Construct the Trans-China West-East Gas Pipeline), and several on and offshore oil and gas research projects with various international organizations from the private sector, namely the Sakhalin and Irkutsk projects.

Japan, a leading importer of LNG, is in the midst of deregulating its power sector and is very interested in securing a stable, consistent supply of gas so that the transition from coal to gas as a major energy source can be realized in the relatively near future. Despite having to restructure its energy sector to accommodate for increased gas use, the potential for gas is very attractive as converting Japan's numerous coal-fired plants to gas-fired ones is relatively easy, and such conversion will help address — among other environmental issues — the growing environmental pollution caused by coal-stack emissions.

Like Japan, South Korea is a leader in LNG consumption and is currently deregulating its power sector, making the potential for increased multilateral private cooperation in the gas sector great. The Korea Gas Corporation (KOGAS) has shown keen interest in importing gas from the Russian Far East, as its continued involvement in feasibility studies on gas pipelines originating from both the Irkutsk and Sakhalin regions suggest.³³ Former South Korean president Kim Dae-jung and Russian President Putin expressed common interest in developing natural gas reserves in Irkutsk and promoting investments in projects related to Sakhalin. On top of this interest, the ROK seriously needs to diversify to cleaner fuels for environmental reasons (geographical location makes it a major repository of Chinese and North Korean air pollutants, sulfur deposits, etc.). A shift to increased gas use would help alleviate some of the environmental side effects associated with the current dependency on oil. Finally, South Korea has the capacity and know-how to help North Korea rebuild its energy infra-

33 Keun-Wook Paik, "Natural Gas Expansion in Korea." in Ian Wybrew-Bond and Jonathan Stern. *Natural Gas in Asia: The Challenges of Growth in China, India, Japan and Korea* (Oxford: Oxford University Press, 2002), pp. 188-229.

structure. As the North and the South move toward greater cultural exchange and economic cooperation, their capacity to cooperate on energy sector development will be critical to both their futures. In fact, the new government of South Korea appears to have entertained an initiative that involves a gas pipeline project from Sakhalin passing through the DPRK territory, as evidenced by the presidential National Security Advisor Ra Jong-il's interview with the *Financial Times*, March 31, 2003, right after his visit to Moscow.

Even North Korea has undertaken initiatives to address gas-pipeline cooperation by establishing the Natural Gas Research Society (NGRS DPRK) in 1998. This body has focused on securing another energy supply source by demanding a gas pipeline passing through North Korea. Pyongyang has shown keen interest in a realistic extension of an offshore pipeline from Sakhalin Island to the Korean Peninsula, as evidenced in the Natural Gas Society of North Korea's unpublicized 2001 Memorandum of Understanding with a Dutch consortium, giving the Dutch the exclusive right to construct the portion of the pipeline that traverses DPRK territory. Included in the memorandum were plans for the construction of three gas-fired power stations along the pipeline.³⁴

The benefits of gas-pipeline projects are significant. In regards to North Korea, trans-national pipelines running from Russia and China through the DPRK to the ROK and Japan would guarantee Pyongyang significant transit royalties from pipelines. This could go a long way to help rehabilitate the DPRK economy. Together with the refurbishment and re-powering of existing coal-fire plants, a gas pipeline would be an ideal method for balancing North Korea's energy supply structure.³⁵ Most importantly, DPRK involvement in a multilateral coopera-

34 Selig S. Harrison, "Toward Oil and Gas Cooperation in NEA," *Asian Program Special Report*, Woodrow Wilson International Center for Scholars (December 2002). Available online at www.keia.com/PolicyForum/NortheastAsiaEnergy/Harrison.pdf.

35 Lee and Ouellette, "North Korea and Energy Assistance"; Bradely O. Babson, "Searching for the Right Side of History in NEA: Potential Role of Energy Cooperation with North Korea," *ERINA Report*, vol. 46 (June 2002), pp. 20-23; Keun-Wook Paik, "Revitalising North Korea's Energy: Based on pipeline gas

tive energy project such as this would force North Korea to abandon its brinkmanship tactics and become a reliable and trustworthy member of the international community that is willing to cooperate.

Gas also has multiple uses that could not only convince the DPRK to structure some of their demand sector to provide gas for a variety of uses but also encourage the other end users to do some positive restructuring of their own. This might go a long way to tackling the major regional pollution problem caused by heavy use of other existing energy resources (i.e., coal and oil). Threatened energy supply chains and nuclear proliferation are not the only demons endangering NEA's future. Economic prosperity and rapid urbanization has also lead to widespread, trans-boundary pollution and environmental degradation on a mammoth scale. One aspect of this problem — “yellow dust,” which originates in China and hits the Korean Peninsula every spring — was discussed on the sidelines of the Hu-Roh summit meeting in Beijing in July 2003 by environment ministers from China and Korea. The outcome of that meeting stressed how best to put environmental technologies to work to reduce the dust's negative impacts.³⁶ Environmental technologies might not be enough to curb the rising pollution levels. However, these technologies coupled with gas-pipeline development and its corresponding restructuring of the energy sector in the region's countries might do a better job at attacking the pollution problem.

Finally, it is essential that governments more than acknowledge the environmental damage that is being caused and take an increasingly proactive role in addressing this problem. To provide enhanced environmental security and ensure a “green” environment for all our future generations to enjoy, one action that can be taken, apart from assisting in gas-pipeline development, is the institutionalization of regional environmental cooperation through the formation of a multi-level cooperative network. In this respect, the possibility of creating an

option,” a paper delivered at the conference Korean Peninsula: Enhancing Stability and International Dialogue, Rome, Italy, June 1-2, 2000. Online at <http://lxmi.mi.infn.it/~landnet/corea/proc/033.pdf>.

³⁶ Snyder, p. 114.

NEA Environmental Cooperative Regime should be given serious attention. Such an organization could provide timely sharing of information through the network, work toward promoting energy conservation, sustainability and new energy technology sharing, and promote the use of the Kyoto Protocol's Clean Development Mechanism (CDM) as means to improve environmental protection.

V. Concluding Remarks

This paper, in addition to outlining the issues, goals and strategies of the new initiative on promoting peace and prosperity in Northeast Asia, has focused on four specific areas of cooperation to promote regional integration, namely; security, economic, cultural and energy/environment. Currently, there is much emphasis put on security and economic cooperation, but the vision for a new era in Northeast Asia looks beyond just these two areas to incorporate multilateral energy projects and environmental cooperation. The cultural dimension and the activities of civil society are also essential to provide the bond for the formation of a strong community. So much focus has been given to FTAs at Asian summits, however, regionalism cannot depend on free trade alone. Equal emphasis should be put on means for sustainable development and exchange that will build a viable and growing regional community that brings the people of Asia together.

The process of regional integration in NEA is inevitable and irreversible. Intra-regional trade, investments, labor flows, cultural exchange, etc. are steadily and rapidly increasing. Given the circumstances, the initiative put forth by the South Korean government calling for peace and prosperity in NEA is timely and justified. The reality of NEA is already here and will unfold faster than ever before. Countries in NEA should take advantage of this larger space of cooperation to maximize their own national interests. At the same time, they should work closely to construct an institutionalized framework of regional security and economic integration to sustain a lasting peace and prosperity. The new initiative proposed by the Roh government is precisely a response to this growing need to guarantee a prosperous

future for the region.

Then why is it that Korea should take the initiative to institutionalize peace and prosperity in NEA? Korea has both motive and means to take on this role. As for motive, the Korean Peninsula is still threatened by division even after the global end to the Cold War. Even today, it suffers from the North Korean nuclear crisis. Many people worry about the possibility of another war on the peninsula. The people of Korea should be freed from the vicious cycle of recurring crises, which are a result of not having a peace regime on the peninsula. Koreans need support from neighboring countries to ensure peace. The means lie in the reality that South Korea can play the role of mediator or facilitator for regional peace and cooperation in NEA. This is possible because of its important geographic location, coupled with its experience of rapid democratization and active civil society. In addition, South Korea is the one country that can develop a socio-cultural program to bind NEA into one community. However, in accepting this role, two things must be remembered. First, to be the tie that binds, the two Koreas must continue to deepen the process of reconciliation and cooperation to the extent that security on the peninsula will remain stable. In this endeavor, progressive and cooperative regional and global efforts are essential. We already see such efforts emerging in the multilateral approach to resolve the North Korea nuclear crisis. Beyond just resolving the nuclear issue, multilateral efforts should continue to gain momentum so as to foster the development of a regional security and peace regime. Second, while soliciting the assistance of its regional neighbors and seeking its own identity, Korea must remain neutral.

It is imperative to bring peace to the Korean Peninsula. Peace on the peninsula is an essential premise for security in NEA. Without security in NEA, the rest of the world will remain unstable. Such instability and turbulence, if continued, will be more than humanity can bear. Koreans have some selfish but mostly universal reasons to make efforts toward peace, which will in turn be instrumental in bringing about co-prosperity for all. We see the political will to realize the initiative in the Roh Moo-hyun government. The time is ripe for the leaders and the people in NEA to respond.

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Shaping a Grand Design for Northeast Asian Cooperation and Community-Building: Japanese Perspective

Takafusa Shioya

Regional cooperation and integration in Asia has been discussed in various forms since the 1990s. This concept has been proposed targeting the geographical scopes of the "Asia Pacific", "East Asia", and "Northeast Asia." At NIRA, the organization to which I belong, we have also been racking our brains to promote this concept. For instance, the Development Research Center of the State Council (DRC), People's Republic of China, Korea Institute for International Economic Policy (KIEP), Republic of Korea and NIRA have conducted research jointly on the economic cooperation issue among Japan, China and South Korea for four years, and have reported the research results and made policy proposals at the past four summit meetings among the leaders of the three nations. At present, as the second phase, we are conducting research on the vision for East Asian integration. To that end, we started conducting research two years ago into the "economic effects of a feasible FTA among Japan, China and Korea."

Through these opportunities, including the joint research, I feel that recently, the momentum to establish an East Asian community is increasing. In December of this year, an East Asian summit will be

held in Malaysia, and the momentum is expected to accelerate further. I think that now it is necessary for us to take advantage of this momentum and come up with ideas that will lead to the realization of the community.

To establish an East Asian community, first of all, it is necessary that the partnership of Japan, China and Korea be strengthened, and that efforts to establish an institutional framework for regional integration are made under the combined initiative of the three nations.

However, the vestiges of World War II and the subsequent Cold War remain in Northeast Asia, and a strong partnership has not yet been established.

The area from the Sea of Okhotsk to the East China Sea, surrounded as it is by nations such as Russia, DPRK, Korea, China and Japan, is known as an ocean in which vigorous exchange was at a level similar to that of the Mediterranean Sea in ancient and medieval times. In recent times, these seas periodically became seas of war, and even now, troubles often occur in various ways. We, who have gathered together in Jeju Island, which is located in the dead center of this area of the sea that can be called the "Northeast Asian Sea," need to rack our brains in order to restore this area back into an ancient sea of fertility.

Among the nations surrounding the "Northeast Asian Sea," including Russia, Korea, China and Japan, there is interdependence in terms of resources, labor, capital and technologies, and if these nations cooperate mutually, the Northeast Asian region has the potential of forming a large economic zone similar to the EU and NAFTA. Economic interdependence among Japan, China and Korea has continued to deepen in recent years, and they are becoming increasingly indispensable partners to one another. I believe that this deepening economic interdependence will lower the barriers erected by national boundaries, activate the flow of people, promote people's mutual understanding and cultivate the common sense of a Northeast Asian identity among the peoples of the region. I also believe that in the not-so-distant future, a regional cooperation system that can be termed a "Northeast Asian Community" will surely be established in this region. As a roadmap for the establishment of such a system, we at

NIRA have commenced preparation of a "Grand Design for Northeast Asia" in collaboration with Chinese and Korean research institutes. Today I would like to offer an overview of this roadmap, in the hope that it will stimulate future discussions. Let me remind you in advance that although my presentation is based on the Japanese perspective, these are not the ideas of the Japanese government, but the ideas of NIRA as a think tank, and that the information was compiled after exchanging opinions with the Korea Research Institute for Human Settlements (KRIHR) and the Institute of Spatial Planning & Regional Economy (ISPRES) of the National Development and Reform Commission of China.

We thought that it was necessary to prepare a "Grand Design for Northeast Asia" for the following reasons:

First, for the sustainable development of Northeast Asia, a comprehensive development vision covering a wide area that emphasizes the organic connection of the entire region is essential.

Second, the following scenario can be drawn to illustrate a path to establishing a Northeast Asian community: An increase in mutually complementary economic relationships in Northeast Asia will generate a dynamism promoting further development, which in turn will lead to regional economic integration. Political tensions ease, regional security is strengthened and finally the movement toward the building of a common community accelerates. We need to propose concrete content for this scenario and formulate a precise schedule, or roadmap, toward the establishment of a Northeast Asian community.

Third, if each nation in the region promotes development independently, it will not necessarily guarantee sustainable development in Northeast Asia. It is necessary to develop a blueprint as a guide for investment from the perspective of the optimization of Northeast Asia as a whole and the effective establishment of social capital and investment. This will also function as a guidepost to attract investment from around the world.

Fourth, while the creation of a Northeast Asian Community should ultimately be advanced through discussions at the government level, prior to this, it is reasonable to establish a Track-II platform for joint discussions in which government officials and researchers participate

in a private capacity, and to commence from the discussions held in such a venue, which we might term a “Northeast Asia Economic Development Cooperation Forum.” What is necessary here is that we achieve consensus among relevant individuals in each of the nations of the region, and increase the centripetal forces acting to bond those nations. As the first step in this process, I thought it necessary to jointly prepare a Grand Design for Northeast Asia.

A variety of unpredictable factors, including the international situation, influence the concepts that should be included in a grand design and the time span such a design will require. However, we are projecting long-term planning toward the establishment of a Northeast Asian community that covers 20 years and concrete plans for projects covering a span of 10 years.

Our projected design considers Russia, Mongolia, China, DPRK, South Korea and Japan as the “target areas,” and we wish to formulate wide-area development plans and various projects that will lead to deeper multilateral cooperation among these nations. The United States and the EU nations, with which Northeast Asia has close ties through projects related to the Bering Strait and the “Eurasian Land-Bridge” concept are seen as “related areas.”

We term the area in which the largest number of development projects will be implemented the “basic area” of the target areas. Taking into consideration the recent increase in areas covered by development projects and the increase in their scale, we are broadly applying this idea to the areas east of Siberia and north of Beijing and Tianjin, and the areas covering the Sea of Okhotsk to the East China Sea and connected areas. As is clear, by contrast with traditional concepts of Northeast Asia, our conception of a grand design is based on the nation as a unit, and the “basic area” covers a broad geographic range.

As you see, the six Northeast Asian nations together cover an enormous geographic area and possess tremendous social and economic power.

From the perspective of regional economic integration, closer cooperation among ASEAN+3 has been a much-discussed topic in recent years. However, first it is important to further increase interdependence within Northeast Asia, and to this end, it will be necessary to

increase mutually complementary relations among the nations in the region in terms of resources, capital, technologies and labor power.

We have outlined two basic guidelines for a grand design. The first is physical integration, that is, the comprehensive and integrated establishment of basic social infrastructure. Infrastructure that will contribute to deepening the level of multilateral cooperation, such as extensive railway systems, highways, and pipelines, should not be constructed independently by each nation in the region, but should be established according to a consistent overall plan, and this applies to soft systemic infrastructure as well.

The second guideline is “networking of clustered areas,” which we consider an effective method for promoting regional development. When a specific development goal is sought in a certain area, the effectiveness of development will be enhanced if the various functions related to this are “clustered.” The intention of this guideline is to promote the integrated development of both “lines and planes” by establishing an organic network among strategic cluster areas, existing key cities and development projects conducted at the regional level by means of railways, highways and telecommunications systems. We intend to specify the “key areas,” the areas that have the potential to become strategic clusters, in our grand design.

NIRA is now making efforts to specify the key areas, development concepts and project plans, which will prove consistent with the basic principles I have outlined. To this end, we are reviewing the plans in a variety of fields proposed to date by the nations concerned, and are exchanging perspectives with specialists in related fields. I am certain that we will ultimately be able to clarify the requisite direction for constructing both hard and soft infrastructure in all the fields essential to achieving the sustainable development of the entire Northeast Asian region. However, taking recent trends in economic development in the region into consideration, we can point to several strategic issues that must be dealt with immediately. First, measures must be taken to conserve the environment, including measures ensuring the permanent preservation of the pristine ecosystems in the region. Given the close connection between energy and the environment, energy policy must also be addressed. Second, transportation, distribution and telecom-

munications systems which will serve as the foundation for the development of the region as a whole must be constructed. Third, the establishment of strategic cluster areas that will become central zones of economic development must be promoted. We intend to conduct joint research activities with specialist research institutes in the region to clarify mid- to long-term visions in the fields I have mentioned and to establish action plans to respond to immediate issues.

As a specific example of a strategic development project, I would like to discuss the natural gas pipeline project, which was one of the key projects involved in the plan for a "Northeast Asia Energy and Environment Community," which NIRA proposed in April 2001. In order to solve the energy and environment issues that are considered the Achilles heel of development in Northeast Asia, this project seeks to achieve multilateral cooperation in the construction of a pipeline network to enable the rich natural gas resources of the Russian Far East and Eastern Siberia to be supplied to the entire Northeast Asian region.

The realization of a natural gas pipeline network on the basis of multilateral cooperation rather than piecemeal construction by individual nations can be expected to disperse the risks accompanying the construction of the pipeline and reduce the wellhead price of natural gas. In this project, we are proposing the construction of a pipeline as a joint project of four nations, Japan, Russia, China and Korea at the moment. In addition, it is possible that establishing other regional infrastructure in parallel with the construction of the pipeline will stimulate further demand for natural gas, amplifying the benefit of the pipeline to the region.

Another example is a major railway network referred to as the "Big Loop." This is a plan to construct an express railway network in the form of a loop connecting the central parts of Northeast Asia, forming a transport artery for the basic areas of the region. We are proposing the construction of this new transport route as a priority issue. This is a highly feasible plan because it basically represents an improvement of existing railway networks.

In addition, at the meeting of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) held in Shanghai

in April 2004, Japan ratified the "Intergovernmental Agreement on the Asian Highway Network" in which Tokyo was assigned as the starting point of "Asian Highway 1." Prior to realizing this plan, however, the "Japan-South Korea Undersea Tunnel" connecting Japan and the Asian continent must be constructed. Formerly considered a dream, the tunnel is now viewed as a realistic proposal.

In addition to a tunnel connecting Japan and South Korea, NIRA's grand design proposes the further extension of the high-speed rail network in the region. Via the Gyeongbu Line and Gyeonggi Line of the Korea Train Express, such a system would run through the Northeastern part of China, connecting, for example, Beijing, Shengyang, Changchun and Harbin, and would eventually link Northeast Asia with Europe via the Siberian railway. Such a high-speed rail network would enable us to travel by rail from Tokyo to London. It is time for us to commence feasibility studies to clarify the means of realizing this tremendous dream.

To conclude, I would like to discuss the thinking behind our projected roadmap toward the establishment of a Northeast Asian community. We believe that deepening economic integration will contribute to facilitating the smooth easing of political tensions in the region, and this is the basic concept on which the roadmap is based. At present, regional development is being increasingly actively promoted in Northeast Asia, as demonstrated by the trilateral meetings among the leaders of Japan, China and South Korea, which have already generated positive results. We must take advantage of this favorable trend to further strengthen multilateral relationships through the process of formulating a grand design. To enable this, a permanent Track II organization must be established as a common platform for discussions. Such an organization would enable the research results generated by regional research institutes to be centralized and intergovernmental discussions to be held with increased frequency. The best method of procedure then will be to learn from the example of the EU and to make step-by-step efforts to establish frameworks for multilateral cooperation aimed at responding to specific objectives in fields where multilateral agreement can be easily obtained, such as energy. In the future, we project the establishment of a multilateral organization, a

type of Northeast Asian OECD, to coordinate cooperation among the nations of the region, representing a further step toward regional integration. This is the basic thinking behind the roadmap.

To this end, NIRA has proposed the establishment of a network among research institutes from China, Korea and other Northeast Asian nations to facilitate the exchange of information and opinions. This would represent a loose consortium for research on a grand design for the development of Northeast Asia. We have already asked several research institutes to participate in this project. We hope that this consortium will serve as a common platform for establishing a grand design, and that the results of its discussions will be presentable as proposals to the governments of the Northeast Asian nations and international organizations. I sincerely hope that the opinion leaders of the nations participating in today's conference will understand our joint research on a "Grand Design for Northeast Asia" and will provide their kind support and cooperation.

Northeast Asian Economic Community's Joint and Contradicting Interests

Svetlana Suslina

The Northeast Asian sub-region has been up to now an area of relatively slow international integration rates. The Northeast Asian nations are a virtually unique archipelago of adjoining economies, not bound into a local and autonomous sub-regional integration group, while being very active players on the global and regional integration level.

In the meantime, it is the Northeast Asian integration that may become a unique and even outstanding phenomenon in the world for its unprecedented combination of the world's most populous nation (People's Republic of China), along with the world's largest nation (Russia) and the world's second-largest industrialized nation (Japan).

All the more, a unique integration of Northeast Asian nations may become important due to its quantitative and qualitative dimensions. I believe that a proper analysis is required to better comprehend the reasons why the local integration has not actually taken shape. I suggest studying the reasons for the slower integration compared to the rest of the world in this sub-region with a higher potential for integration.

I guess we deal with a completely different phenomenon, when the present scale of world economic integration makes the regional

economies skip over the regional integration level and pass on to a global one. Should it be the case, it is worth studying as a positive and progressive process.

Indeed, it is customary to believe that a global integration is the next step after a preliminary stage of sub-regional and regional integration. And what if Northeast Asia with its world-class economies “jumps over” the transitional stage and reaches a higher integration level?

From this perspective, one can easily view the actions taken by Beijing, Tokyo and Seoul to establish closer relations with ASEAN as far from being separatist or against the sub-regional integration within Northeast Asia. More than this, the above actions may only stimulate the integration, provided it is considered a higher level phenomenon, free of isolationist impulses and genuinely liberal.

From this perspective, Moscow's intention to join the Northeast Asian integration is quite justifiable because the sooner Russia joins the WTO on mutually acceptable terms, the more favorable it is for sub-regional integration from a strategic point of view.

So our view of the matter is as follows: We are in favor of integration, meaning the integration of a larger grouping. Let us put an end to splitting the world. It is high time to eradicate the “block policy” and is time to integrate as it corresponds to the spirit of our time — the time of globalization.

Two approaches arise from it: The composition of a “larger team” of integrating nations and the quality of that “broader integration.” But first, what do I mean by “broader integration?” It means, from my perspective, that it has to come up to global scale of coverage. Institutionally, the existing structures like the WTO and APEC may look good enough but with some substantial reservations.

Turning back to different approaches, as far as the Northeast Asian sub-regional integration member states are concerned, I would outline Russia and the Democratic People's Republic of Korea. Our country is not yet in the WTO, and North Korea is neither in the WTO nor in APEC. Our joint interest is to stimulate the two above nations' integration into the WTO and APEC. I would admit applying some privileged conditions for North Korea, if only to promote overcoming its total isolationism.

As for “broader integration,” this looks to be a separate, problematic and large issue. We have to consolidate the integration of APEC first but also the WTO. We might try to work our relevant suggestions for the sake of our own integration.

Here comes the answer to the question that might be shaped with my respected colleagues: What is the essence of Northeast Asian sub-regional integration as an independent phenomenon? The answer is to join the WTO and APEC, be integrated around joint, advanced and progressive positions, and thus not only stimulate but in a certain way also lead modernization in the interests of our sub-region.

This does not at all mean that there is no place for a normal local integration process in the Northeast Asian sub-region. More substantial prerequisites for this are taking shape. I mean the compatibility of joint interests and contradiction in the nations of the sub-region. This is what I would especially focus on.

Generally speaking, this factor seems to be ranking as the top, decisive one for shaping the Northeast Asian sub-regional integration process. It worth mentioning that up to now, this factor did not favor the process of integration. Presumably, the situation is turning to the opposite. And a positive trend is obvious not only in smoothing the contradictions but in boosting the integration trends.

Figuratively speaking, the scale of common interests and sub-regional integration starts to overbalance the scale of contradictions. As far as integrity is concerned, I would like to focus on this issue in terms of Russia and its national interests. I dare say that the Russian factor may be rated as a cornerstone for Northeast Asian integration.

This is especially and clearly seen from the fuel and energy sector. In this particular field, all Northeast Asian nations fully share common interests. Russia, on one side, is interested in expanding its fuel and gas supplies to the Northeast Asian countries. This is proved by a virtually signed decision on the construction of the Taishet-Nakhodka oil-pipeline, costing almost \$15.5 billion, aimed at reaching Japan and the People's Republic of China.

On the other hand, our neighboring partners in Northeast Asia are striving to diversify their energy suppliers by means of Russia. They

express readiness to reach this by direct investments in the Russian oil-mining industry. I would remind you of at least the “Sakhalin-1” and “Sakhalin-2” projects that envision, and this is especially indicative, follow-up supplies of condensed gas by Japan to South Korea.

However, I would not like my respected colleagues to get a wrong impression of Russia as having a potential for purely raw material exports only. In this connection, I would draw your attention to an example of cooperation in a more high-tech industry: motor car construction. Now when Russia is turning to an attractive market for car manufacturing and car sales, the Korean car makers Daewoo, Hyundai and Kia have long been leaders on that market.

Japan with its Toyota car-making corporation is close to reaching an agreement on setting up a factory in Russia. There has recently been an agreement reached with the Chinese automobile corporation First Motor Works (FAW) for a joint output of Chinese motor vehicles at the Moscow ZIL factory.

However, the point rests not only with Russia but also with the common interests of all the nations of the sub-region concerned. In this connection, I would emphasize as a very notable and promising point that it is the People’s Republic of China, Korea’s closest neighbor in the region, that has lately replaced the U.S. as the largest trade partner of the country hosting this forum.

Seoul’s Northeast Asian Cooperation Initiative: A View From Washington

Kent E. Calder

As any casual glance at a map of Northeast Asia will indicate, the Korean Peninsula lies at the very heart of the region. Beijing, Shanghai, Osaka, Tokyo and Vladivostok — not to mention Pyongyang — are all within a very short radius of the heart of Seoul. And they are generally closer to Seoul than to each other. If Northeast Asia were a viable, definable region, Korea would doubtless be at its heart.

The problem for Seoul, and the dilemma for Washington, is that Northeast Asia is not such a viable region as yet, although it has the clear potential to be. A divided Asia, with wealthy Japan and a dynamic, rising Republic of Korea on its side of the line, complemented by a hub-and-spokes system of bilateral alliances connecting each Asian nation with Washington, has served American geo-strategic interests for half a century. Yet insisting narrowly on such a concept in future, as intra-regional interdependencies deepen, could well undermine the trans-Pacific trust so vital to maintaining America’s key alliances in the region. New paradigms are clearly needed as Asia grows, and as it grows more interdependent.

The United States, in its assent — and indeed its advocacy — of the

six-party talks process has already indicated some flexibility regarding institutional paradigms. It does not insist that the “hub and spokes” — a series of bilateral security relationships radiating out from Washington — be the sole form of security architecture in the north Pacific. But it does insist-with an increasing degree of urgency — that whatever structures exist be capable of coping with the underlying security problems of the region.

Most urgent of these in Washington's view, of course, is the North Korean nuclear crisis. Despite nearly three years of negotiations and multilateral pressure since October 2002, the DPRK's nuclear capabilities appear to have steadily increased, with recent estimates suggesting that the DPRK may have amassed the plutonium for six to eight nuclear weapons, and may be accumulating enriched uranium as well. In February 2005, as is well known, it declared itself to be a nuclear-weapons state.

While the nuclear issue is clearly an urgent question that neither Washington nor Seoul can afford to ignore — partly for reasons of global security, including NPT and potential linkages to terrorism-it desperately needs to be placed in a *regional* context. For, the *form* of its resolution could have enormous consequences for the *type* of Northeast Asia that emerges in its aftermath. The resolution of the nuclear crisis, in short, could either stabilize the region, by binding its members, including the United States, into a constructive process of regional development, or compound its instabilities.

A stabilizing arrangement, in my view, would be one that institutionalizes an ongoing six-party consultation mechanism for deliberating on emerging economics and security problems in the region, contingent on a resolution to the nuclear crisis. This mechanism would clearly involve a clear participatory role for the DPRK, but no veto power on deliberations. If the DPRK did not choose to participate, the other five members should reserve the right to proceed independently on issues of mutual interest.

A stabilizing arrangement should also combine re-affirmation of the US-ROK alliance, and the presence of basic American deployments in the ROK, with more explicit American appreciation of the ROK's constructive role in providing regional assistance. In the wake of a nuclear

settlement, it should also involve strong American support for substantial new infrastructure projects, funded by bilateral aid programs and by major multilateral institutions, such as the World Bank and the Asian Development Bank. Support for a large-scale Northeast Asian electric-power grid, and for regional gas pipelines, should be among the major projects considered.

With North Korea isolated from interchange with the broader world, South Korea is a geo-strategic island, as any casual look at a map of Northeast Asia will indicate. In constructive interdependence, the DPRK becomes a bridge between Seoul and points further north. Indeed, its very geographical centrality in the region could generate healthy, economically based leverage for the DPRK, once the nuclear issues is resolved.

Although the status quo of static North-South relations is no doubt preferred by many in Washington, a more dynamic role for the ROK in Northeast Asia is not necessarily a negative development for US-ROK relations, provided that mutual trust can be maintained. Korea's Middle East security presence is useful in this regard, as are affirmations by both nations of the continuing utility of America's forward-deployed presence in the ROK and Japan. American appreciation for Korea's potential as a hub for Northeast Asian economic transactions, coupled with supportive Korean steps on foreign investment and economic reform, would also help accommodate Korea-US relations to the emerging realities of Northeast Asian regionalism.

Northeast Asian Community: Moving from Vision to Reality

Yunling Zhang

I. Introduction

Community building has been identified as the goal of Northeast Asian cooperation. What does “community building” mean? People all seem to agree that due to the great diversity and also the culture of the Northeast Asian region, a community does not mean a European-type regional organization with the power manage to regional affairs. The aim of Northeast Asian community building is to create an environment for living together peacefully and for realizing prosperity through cooperation.

Economically, a community will make the regional economies highly integrated and shared great interest for common prosperity. Intra-regional trade and investment flow are well developed through liberalization and cooperation arrangements. The nature of the Northeast Asian community is probably not to establish a super regional organization, but to make regional economic activities perform by rules and standards through agreements. If necessary, the regional institutions can only be for consultation and coordination.¹ By a community, the region should develop a spirit of cooperation

aimed at solving common issues like the environment, transportation, energy etc. together and helping the less developed economies catch up.

Politically, a community will make the region stable and trusting through cooperation. Northeast Asia shares history and culture, but also has grievances and even conflicts. Based on a spirit of community, countries in the region should develop a good neighbor policy and culture and solve differences through consultation and cooperation. Diversity is the reality of the region. Differences are not the reason that let any regional member get left out of the community building. Political respect and tolerance should be the culture of Northeast Asia. Mass media and means of new information especially should help to create this shared culture and value in modern society. The real cooperation of three major countries, i.e. China, Republic of Korea (ROK) and Japan is essential in leading the region toward a community. Leaders of the three countries should establish a formal cooperative mechanism both for normal exchanges and emergent meetings.

In the security aspect, a community should realize the lasting peace of the region. Northeast Asia is still divided by two means: the division of Korean Peninsula, as well as security architecture. Community building should coming to the fore mostly to help resolve the confrontation on the Korean Peninsula and also to develop an integrated security framework for all members, may be based on the existing “six-party talks” if it can move forward with success. A community with security should also develop the spirit for solving the remaining or emerging problems through consultation and cooperation.

The Northeast Asian community should be represented not by a unique regional organization, but by a comprehensive framework combining multi-layered cooperation mechanisms supported by formal agreements, cooperation programs both on the central and local government levels, exchanges of civil societies, as well as some possible institutional establishments. It is too advanced to predict that the

¹ Chang Jae Lee, “Rational for institutionalizing Northeast Asian economic cooperation and some possible options,” in Yoon Hyung Kim and Chang Jae Lee (eds.), *Strengthening economic cooperation in Northeast Asia* (Seoul: KIEP, 2004), p. 23.

Northeast Asian region will be governed by an integrated regional organization with all countries participating.²

Yes, it is true that suspicions prevail concerning Northeast Asian community building, since there are so many obstacles on the road. By calling it community building, the first thing we need is cultivating a spirit and value of the regional cooperation and trust, not just between governments, but also in societies and especially among the peoples. The community is a process that gradually deepens and expands. The good of the future rests on our efforts now, rather than just waiting for it as a vision.

II. Increasing Economic Integration

The three economies of China, Japan and the ROK account for a vast majority in the Northeast Asia regional economy. Their economies have increasingly become integrated. This has been reflected by the fast increase of trade and other economic exchanges in three bilateral ways, i.e. between China-Japan, China-ROK and ROK-Japan.

Importantly, the integration is created by FDI-led intra-trade and related service activities. FDI flow becomes a focal factor in making the

<Table 1> Trade Relations between China, Korea and Japan
(In billion US dollars, export and import)

	China-Japan	China-Korea	Korea-Japan
2000	83.1	34.5	52.3
2001	87.8	35.9	43.1
2002	101.9	44.1	44.0
2004	167.9	90.1	53.6*

* for 2003.

Source: China Statistics, JETRO, Statistics and Surveys

² It is difficult to build up a regional organization with real function that could govern the regional affairs. See Yunling Zhang (ed.), *Northeast Asian economic cooperation* (Beijing: World Affairs Publisher, 2004), p. 3.

three economies more and more integrated since the increasing share of trade between the three countries are FDI related. For example, for about 40 percent of Japanese and Korean companies invested in China, their intra-firm trade share is as high as 75 percent, and almost half of Japanese companies invested in China have over 75 percent of their products sold back to Japan.³ Although FDI flows are currently mainly from Japan and ROK to China, the economic integration finds its rational through efficient restructuring of the manufacturing industries. This intra-industrial division of production and services has helped to build up a network, which made the three economies highly interdependent and beneficial to each other. It is obvious that economic linkages emerge within the three economies, which are different from simple trade. Furthermore, the restructuring of manufacturing industries has created new businesses of services, like finance, transportation, logistics, and also it has encouraged more and more movement of human resources among the three economies. Looking toward the future, following China's economic progress, capital flow from China to Japan and ROK will also increase, which will help create a more balanced structure of economic integration.

This economic integration has been driven mostly by the market of companies based on their business strategies for economic efficiency and profit. There has been criticism that market-driven restructuring by companies would hurt the home economy since it should create a "hollowing out" effect. The fact has shown that the new division of production and service based on comparative advantages has created significant benefits to all sides and the dynamic effects seem very positive, even to FDI home countries due to their rational restructuring. China has benefited largely from receiving FDIs from the ROK and Japan, which has helped China to develop its modern manufacture industries and to build up a competitive capacity for exports and also the domestic market. At the same time, both the ROK and Japan have also been benefited from timely restructuring of their economies,

³ Zhang Qi, Major impediments to intra-regional investment between China, Japan and Korea, paper presented at symposium on "strengthening economic cooperation in Northeast Asia", Beijing, Sept. 29, 2002.

which has helped improve their competitiveness in the long run. This complimentary structure of economic linkages among the three economies will continue to exist in the future.

Economic integration calls for institutional transparency and stability, market liberalization as well as close macro-economic coordination. Market driven integration is not perfect. If it is without institutional arrangement, the business transactions may be still be blocked by all kinds of barriers, both tariff and non-tariff measures. As a matter of fact, among the major economies of China, ROK and Japan, non-tariff restrictions still largely exist.

Furthermore, from the perspective of the Northeast Asian region as a whole, the participation of other economies in the region should be encouraged. Mongolia, Russia, as well as the Democratic People's Republic of Korea (DPRK) are also members of the region. Trade exchanges and investment flows, as well as network building should be gradually extended to those economies.

III. Progress of Economic Cooperation

Economic integration leads to economic cooperation. Northeast Asian economic cooperation has developed in a multi-layered structure, in both institutional and non-institutional ways.

On an institutional level, FTA arrangements are the most important development. ROK and Japan have already signed their investment agreement and started FTA negotiations from 2003 and it seems that it plans to be concluded by the end of 2005. China and ROK will start their FTA feasibility study in 2005 and it seems that it may start in 2006. Only China and Japan have not prepared their FTA process yet. Japan calls for a bilateral investment agreement first, but China hopes to negotiate a close economic partnership agreement including trade, investment and service. As for a trilateral FTA, the joint study group submitted to the Trilateral Summit Meeting in 2003 a report and policy proposal on strengthening the trilateral cooperation, evaluating mainly the economic effects of a feasible trilateral free trade agreement, with the conclusion that the trilateral free trade agreement would

bring about substantial macroeconomic effects favorable to the three countries. A joint study on the possible modality of trilateral investment arrangements was conducted and the joint study group held several meetings, with the common understanding that the promotion of trilateral investment would increase the dynamism of the three countries' domestic economies and strengthen trilateral economic cooperation. The joint study group report suggested that a legal framework should be explored concerning the trilateral investment. But considering the differences of policy priorities and interests, the trilateral FTA for China, ROK and Japan seems not on the immediate agenda, though China calls an early start of it.⁴

An important process is the joint declaration on the promotion of tripartite cooperation among the three countries signed in Bali, Indonesia on Oct. 7, 2003 during the leaders' meeting of China, Japan and Korea. As the declaration stated, "With geographical proximity, economic complementarity, growing economic cooperation and increasing people-to-people exchange, the three countries have become important economic and trade partners to one another, and have continuously strengthened their coordination and cooperation in regional and international affairs. The cooperation among the three countries demonstrates the gratifying momentum for the development of their relations."⁵ The leaders of the three countries have held regular informal meetings since 1999. The departments of various areas have established mechanisms for meetings at the ministerial, senior official and working levels. The areas of cooperation include trade and investment facilitation measures ranging from customs, transportation and quality supervision, inspection and quarantine.⁶ For example, the customs

4 Michael G. Plummer argued that rising levels of interregional trade and investment flows in Northeast Asia derive mainly from interaction with China, rather than between both Japan and South Korea. He suggested that "if the flag is to follow trade, the agreement should be three-way". See Yoon Hyung Kim, Chang Jae Lee (ed.), *Strengthening economic cooperation in Northeast Asia* (Seoul: KIEP, 2004), p.174.

5 Declaration on promotion of tripartite cooperation among three countries, Bali, Indonesian on October 7, 2003.

6 The leaders agreed in the Joint Declaration the promotion of cooperation in 14

authorities have developed dialogue and cooperation for trade facilitation. Bilateral meetings on customs have been held and views on measures on swift customs clearance have been exchanged. The customs mutual assistance agreement (CMAA) between China and the ROK is already in place, a ROK-Japan CMAA seems ready and a China-Japan CMAA is now under negotiation. In the transportation area, the Northeast Asia port director-generals meetings have been held since September 2000. They conducted joint studies on the promotion of cruise, investment and free-trade zones as well as the new design method of port facilities. In the information and communications technology area, the trilateral ICT ministers' meeting was formalized and the ministers agreed on closer trilateral cooperation and the framework of an "East Asia (CJK) ICT Summit." The working groups were set up for cooperation on six areas (next generation Internet-IPv6, 3G and next generation mobile communications, network and information security, telecommunication service policies, digital TV and broadcasting, open source software) and they held meetings respectively.

Environmental cooperation is another important area that has achieved progress and includes a comprehensive sub-regional environmental cooperation mechanism in Northeast Asia, and the monitoring and early warning network system for dust and sand storms, the Acid Deposition Monitoring Network in East Asia, the Northwest Pacific Action Plan for the protection of the regional marine and coastal environment, and the Northeast Asia Sub-regional Program for Environmental Cooperation. Cooperation for sustainable development for the seas of East Asia has been made in the framework of the "Partnerships in Environmental Management for the Seas of East Asia."

Energy cooperation is considered as one the most important areas that Northeast Asian countries should cooperate in, both for energy

areas, including economy and trade, culture, people-to-people exchanges, and politics and security, as well as the establishment of the Three-Party Committee, which is headed by the foreign minister of the three countries to study, plan, coordinate and monitor the cooperation activities. See Joint Declaration on the Promotion of Tripartite Cooperation, Trilateral Summit, 2003.

consumption and energy supply. China, ROK and Japan are Asia's three largest energy consuming countries. An energy ministers' meeting was held in 2004 for consultation and three ministers agreed to further deepen cooperation and partnership. However, due to their competition for energy supply security, real cooperation needs real action. An energy community can only be built up by a cooperative spirit and cooperative policies, not just for major energy consumers, but also for energy suppliers. Viewed from reality, neither the three major energy consuming countries, nor key energy supplying countries have taken real action in moving toward the direction of an energy community.

The cooperation in the IT sector among the three countries has been developing in depth through both company initiatives and governmental efforts. The three countries now are cooperating in developing the Northeast Asian IT R&D standard and network (new generation internet, phone system etc.). It is proposed that an IT common market should be first developed by China, ROK and Japan, one which forms an important foundation for a real Northeast Asian FTA.⁷

Cooperation for promoting tourism in the Northeast Asian region has been given special attention in recent years. In order to stimulate tourism demands, China, ROK and Japan tourism authorities have launched joint tourism promotion programs linking the three countries as a single destination. Trilateral exchanges of tourism have become more active with this new initiative.

In other areas, such as education, cultural exchanges and tourism promotion etc., cooperation among China, ROK and Japan has also developed.

Besides, there are other kinds of cooperation in the region. For example, sub-regional cooperation like the Tumen River development program, China-Russia close border economic ties, the newly emerging ROK-DPRK Gaesong industrial development zone, cooperation between the local cities and communities on port linkage, resource development, urban management etc. have developed more actively

⁷ Yong Ho Kim, "New pattern of economic cooperation in Northeast Asia and the cooperation among Korea, China and Japan," *Journal of Northeast Asia Studies*, No.1, 2005, p. 8.

than on the central government level. Community building for the region usually finds its momentum in these “grass roots” activities.

The development of cooperation in the Northeast Asia region, currently mainly among China, ROK and Japan, serves as a gradual process for community building. However, the progress of this process seems too slow and limited for such a high-level of economic integration and interdependence of the three countries. Trilateral cooperation on the government level is more reflected by meetings or forums. In the key areas, like macro-economics coordination, a trilateral FTA and the energy community etc., real institution building and joint actions are far from satisfactory.

IV. East Asian Cooperation Context

When talking about Northeast Asian cooperation, we should link it to the process of East Asian cooperation since it becomes an integrated part of the East Asian cooperation process. The East Asian cooperation process, currently in the form of “10+3” i.e. the 10 ASEAN countries plus China, Japan and Korea, formally started in 1997 after the financial crisis. Notable achievements have already been made: an institutional framework for regional cooperation through annual leaders’ meetings, ministers’ meetings (currently 10 areas) and senior officials meetings; real progress in financial cooperation through the Chiang Mai Initiative; preferential trade arrangements (PTA) like AFTA, China-ASEAN FTA, the Japan-Singapore closer economic partnership agreement (JSCEP) and on going Japan-ASEAN, as well as ROK-ASEAN FTA negotiations; as well as sub-regional development projects, like the Great Mekong Development Project.

The foundation of East Asian cooperation rests on the increasing economic convergence of the region, where Northeast Asian economies play the key role. The economic convergence started by a “flying geese model,” was lead by Japan and is followed by the “four dragons.” This helped to build a “vertical” chain through capital flow, technological transfer and the supply of manufacturing parts, thus formulating an intra-regional economic connection based on a kind of

economic development chain.

The regional economy went well until the 1997 financial crisis. The crisis showed that East Asian market-based integration is vulnerable. The crisis changed the environment and structure of East Asian economic growth and integration. In the aftermath of the financial crisis, there emerged a new push for regional cooperation, which lead to the first ASEAN plus China, Japan and Korea leaders’ meeting in Kuala Lumpur in November of 1997. This meeting opened the way for a new regional cooperation process based on shared interests and common desires, which implied a newly defined regional identity, i.e. East Asia.

The East Asia cooperation features as a multi-layered process. ASEAN is a pathfinder in promoting regional integration and cooperation and has a unique role in bridging East Asian countries into an East Asian cooperative process. Japan as the largest economy in the region is a key factor in any regional integration. Japan started its first FTA negotiation with Singapore and now is negotiating both bilateral and sub-regional FTAs (Japan-ASEAN). Japan has shown its interest in moving toward an East Asian FTA in the future. ROK played an active role in promoting East Asian community building by proposing the EAVG and now seems ready to adopt a more active regional FTA strategy. China started to become active in joining the regional arrangement after its accession to WTO. It moved ahead of others to a FTA with ASEAN.

The train of East Asian cooperation seems to be moving faster, by planning an East Asian summit in 2005. Although there is no consensus yet on the final goal for regional cooperation, the train will not stop anyhow.

East Asian countries try to adopt a pragmatic approach. A multi-layered model mostly referring to trade and investment liberalization fits the regional reality. Importantly, by concluding the negotiated agreements, it helps to follow the rules and standards for regional economic activities, which constitute the legal foundation for regional institutional building.

East Asian cooperation and integration is a comprehensive process. Although it is difficult to envisage a regional identity like the EU as the final goal, gradual institutional building seems inevitable. By starting

with a multi-layered process, it is necessary for East Asian countries to consolidate all the different processes into an integrated process and finally to move to a single regional arrangement.

As for Northeast Asia, it should play an active role in supporting and promoting the East Asian community building due to its great weight in the region. While making more efforts to move its own regional cooperation process, it should show its key role in moving the process faster. Although ASEAN will continue to play a special role in leading East Asian community building, the key role of the three Northeast Asian countries, China, ROK and Japan, should be designated. To play the key role, it is important for the three countries to show their joint effort either to move the Northeast Asian FTA faster, or to push an East Asian FTA (EAFTA) together based in three "10+1" FTAs (China-ASEAN, Japan-ASEAN and ROK-ASEAN). Also, they should play a significant role in helping the less-developed countries in East Asia improve their economies and enhance their capacity to meet the challenges of market liberalization.

On the other hand, the East Asian cooperation process also helps to facilitate Northeast Asian cooperation. For example, the "10+3" process helps to bring the three Northeast Asian leaders together and set the course for a formalized leader's meeting every year and other governmental cooperation mechanisms. In this respect, East Asian cooperation serves as a binding factor in bring Northeast Asian countries together and encouraging them to move faster.

V. Vulnerable Political Trust

Community building needs political trust and cooperation among the countries in the region. Due to the historical grievances as well as current differences, the Northeast Asian region first needs political reconciliation based on the normalized and improved bilateral relations. The current fact is that the political reconciliation process has started, but still has a long way to go.

China, Korea and Japan started their high level political dialogue under the framework of "10+3" beginning in 2000. This mechanism of

a top leaders' dialogue has led to the trilateral economic cooperation mentioned above. Also, this mechanism helps to improve political relations and enhance understanding and trust among the three countries. However, this trilateral cooperation still needs sound bilateral relations. Due to the special history factor, the trust building cannot be done without consolidating the understanding of history among the three countries. The misleading trend on Northeast Asian historical issues in Japan makes its political trust with China and ROK in a crisis. This makes the political foundation for the trilateral cooperation very vulnerable.

How to overcome this vulnerability? In order to overcome the current dilemma, Japan should do more to gain the trust of the other Northeast Asian countries through its actions on the issue of history. The other Northeast Asian countries, especially China and ROK, should also take more forward-looking measures in helping people to move out of suffering over the past. Government officials have great responsibility to reduce, rather than increase the hostility among people.

The trust between China and Japan is crucial for Northeast Asian community building. In facing China's quick rise, Japanese seems to have an "ill feeling" that China's rise would hurt Japan's interests. This has a negative impact on Japanese government, which in turn makes a bold policy toward China. It is considered that Japan's hesitation about its relationship with China reflects a lack of strategic vision.⁸ On the Chinese side, people still do not trust Japan's sincerity on its past, but also on its current policy intentions toward China.⁹ The "anti-Japanese feeling" among the young people has even become worse.

On Korea-Japan relations, a similar situation appears. Despite efforts

8 Takahara Akio, "Japan's political response to the rise of China," in Kokubun Ryo-sei, Wang Jisi (eds.), *The rise of China and a changing East Asian order* (Tokyo, JCIE, 2004), p.170.

9 Xu Jian, a Chinese scholar argued that compared with other powers, Japan seems to have even more reservations over the rapid development of China, Paper presented on "The international symposium on peace and prosperity in Northeast Asia", Seoul, January 13, 2005, Conference papers, p. 30.

on improving bilateral relations made by the two governments, the newly emerging conflicts on historical issues and territorial disputes have deteriorated the foundation of the bilateral trust.

The problem is considered to be a result of emerging nationalism. As a worried leading Japanese columnist wrote, "such hostile attitudes toward one and other, if unchecked, could have disastrous effect."¹⁰ Then what can be done? The first thing to do is improve bilateral relations through new efforts. As history is a special issue that cannot be simply overcome, the Japanese government should do by itself to show the others that real actions have been taken in correctly moving out of history. Current disputes over territory and sea zones should be handled through cooperation and preparation for negotiation on those disputes should be done cooperatively among the related parties. Since a trilateral mechanism for high level dialogue and cooperation already exists, those issues should be discussed during the summit meeting. This requires that the role of the leaders' summit should be strengthened. Furthermore, only government-to-government dialogues are not enough, some times they are even not helpful, thus the role of people-to-people exchanges and NGOs should be encouraged.

Northeast Asia needs more regional, civilian-based cooperative institutions. On the one hand, community building in Northeast Asia needs all bilateral relations improved, and on the other hand, the process itself should significantly help to enhance their relations. It is clear that desire for economic cooperation reflected in leaders' statements require strong political back up. Ideally, if real progress is made, the current cooperation mechanism of the three countries will become a core institution that can receive other members in Northeast Asia as they join in community building. However, currently, its foundation is too weak.

Security is another area that needs to be handled well for the Northeast Asian community. There are two general security challenges: one is the divided security structure, i.e. U.S. military alliance and the others. This division is a result of the Cold War, but it still exists now. The

10 See Yoichi Funabashi, source same as footnote 7, p. 41.

division of the Korean Peninsula may be the excuse for its maintenance, but this is not helpful for solving the peninsular division. Now we have the mechanism of six-party talks on solving the nuclear issue of the DPRK. It is clear that the nuclear issue cannot be solved independently without other comprehensive arrangements, since it contains a complex relationship accumulated over decades. It is desirable if the six-party talk mechanism could become a Northeast Asian security framework arrangement when it shows that it is functional in solving the nuclear crisis and ending confrontation. The U.S. participation in the Northeast Asia security framework is necessary since it is a key factor to all security matters.¹¹ However, the real test for a Northeast Asian security framework is whether it can be changed from a confrontational to cooperative nature, i.e. a new cooperative security arrangement.

Due to the complexity of the Northeast Asia political and security situation, people just try to talk about economic cooperation and community building. The facts show that the Northeast Asian community needs a broad foundation including economic, political, as well as security mechanisms, although the economic mechanism should and could go faster than the other areas.

VI. China and ROK Working Together

China and ROK are two key players in Northeast Asian community building. This has been reflected on three layers: one is their individual position and role in the region; another is their mutual relationship and the third is their joint efforts.

With its large size, big population and fast growing economy, China, although still a developing country, is playing a special role not just in maintaining regional economic dynamism but also in promoting regional cooperation and helping regional stability. The role of China's

11 Kent Calder and Min Ye, "Regionalism and Critical Junctures: explaining the organization gap in Northeast Asia," *Journal of East Asian Studies*, No.4, 2004, p. 215.

market in the region becomes increasingly important. China's market is the binding factor through trade and FDI flows that bring Northeast Asian economies together under a production and business network. China proposed to set up the economic and trade ministers' meetings, in the following year, China has proposed to start the academic study in the feasibility of a trilateral FTA between China, ROK and Japan.

In the political and security aspects, China, based on its long-term peace and development strategy and "good neighbor policy," plays a positive role in reducing regional tension and improving the security environment by initiating and participating in the six-party talks.

ROK, as a member of the OECD, is more economically advanced than China. It has competitive advantages in IT and some other areas. The ROK becomes an important source for FDI flow especially to China, based on its long-term strategy, its efforts to become the important centers for Northeast Asian logistics, IT and culture industries.

The ROK's position and role is unique in transforming the conflicted Korean Peninsula into a cooperative and finally a united and peaceful place. Its "one Northeast Asia" vision and initiative helps to create a "shared value for trust, mutual interest and living together which is the foundation for Northeast Asian community building."¹²

China-ROK relations have developed in a comprehensive way. Economically, the two countries have established a kind of highly independent structure. China became the largest export and FDI market for ROK. In 2004, the two-way trade between the two countries exceeded \$90 billion and in 2005 it will overpass \$100 billion. An important change is that the trade between the two countries has moved to a high structural level with the majority as capital and high-tech products. FDI from ROK to China has increased fast, and in 2004, it was the largest among all FDI inflows to China, with the accumulated investment size reaching \$25.8 billion, the fourth largest FDI by country, only after the U.S., Japan and Singapore. It is estimated that more than 40 percent of ROK companies have investments in China. China has gained significantly from receiving FDI flows and

¹² Chung-in Moon, "Northeast Asian economic community and coping strategy," *Journal of Northeast Asian Studies*, No.1, 2005, p. 6.

importing IT intermediate products, and ROK also has benefited remarkably from investing in China, which is necessary for restructuring its economy and keeping it competitive. The highly complimentary nature of China-ROK economic relations will continue to exist in the future.¹³ More importantly, the two economies have become integrated from the internal structure point and relied on each other. Considering China's great potential, it will provide a long and secured huge market for the ROK. This is a win-win formula, no one is a loser though both sides have to manage to meet the future competitive challenge from each other on the one hand and from other parties on the other hand.¹⁴

An early comprehensive structured FTA for China and the ROK is highly beneficial to both. The two governments now prepare for negotiation and hope to complete next year. A China-ROK FTA will facilitate the process of a China-Japan FTA and maybe the trilateral FTA in general, since there are two FTAs, i.e. a ROK-Japan FTA and China-ROK FTA.

For developing a real comprehensive cooperative partnership relationship, trust between China and the ROK must be enhanced. Differences should be solved through consultation and cooperation. Thus, China and the ROK should cooperate in more broad aspects than just the economic area. The two countries share the common interest in keeping peace based on a gradual transition of Korean Peninsula relations. They play the key role together in engaging the DPRK and integrating it into regional community building.

For Northeast Asian community building, in general terms, China-ROK cooperation will be helpful for China-Japan relations, which now appear to be in a difficult situation.¹⁵ As mentioned above,

¹³ China's investment to ROK will increase along with its economic upgrading. China may become the largest investor in ROK in the coming future. Cao Shigong, "An evaluation on the economic relations between China and Korea," *Northeast Asian Studies*, No. 1, 2004, p. 11.

¹⁴ It is considered that Korea should take China's challenge as a catalyst for its industrial upgrading and domestic reforms, rather than taking simply as a threat. Young-sook Nam, "China's industrial rise and the challenges facing Korea," *East Asian Review*, Vol.16, No.2, summer 2004, p. 64.

in order to build a Northeast Asian community, the three countries must first improve and make close three bilateral relations. China and the ROK should take the lead in this direction.

The Northeast Asian community is a vision and also a dream that needs great effort to be realized both by a good sprit and real actions.

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15 Jong-Pyo Hong, *Regional integration in Northeast Asia-approaches to integration among China, Korea and Japan*, KIEP, CHAEC Research Series 04-04, p.18.

Some Thoughts on Community-Building in Northeast Asia

Xiao Ren

It is a great pleasure to participate in the 3rd Jeju Peace Forum. This year is a year of anniversaries, and one of them is the centenary of the end of the Russo-Japanese War fought in 1904-1905. At the turn of the century, exactly 100 years ago, Northeast Asian international relations underwent drastic changes, and the undercurrents were surging. Imperial Japan was rapidly rising, and tsarist Russia was expanding eastward. The big and weak central kingdom China was strenuously struggling for its territorial integrity and survival. Korea was in danger and almost on the brink of the total loss of its sovereignty. Then the war broke out, and by and large, it was fought on the land of China. At the time, there was one young Chinese man named Zhou Shuren, who happened to be studying medicine in Sendai, Japan. Later he became the famous writer and thinker known as Lu Xun. One day, he and his classmates were watching lantern slides in the classroom, and some of them were about a few Chinese who had acted as spies for Russia and had been captured and executed by the Japanese army. His classmates cheered and hailed. Then the saddest thing for the young Chinese man appeared on the slides: He saw smiles on the faces of some Chinese bystanders observing the

scene of Japanese soldiers executing the poor spies working for Russia, also a great imperialist power that was invading and annexing China's land. It became a decisive moment that caused him to make up his mind to give up the study of medicine and instead choose writing as his career because he recognized that medicine could not cure the Chinese people's illness. He decided to use his pen to awaken them. He became a great Chinese writer of the 20th century.

By mentioning this episode of history, I do not mean to remind you of the unpleasant history of the Northeast Asian region. Quite the contrary, what I want to emphasize is how different a world we are in now. Japan is different from the way it was in the early 20th century. Russia is different. China is no longer the "sick man of East Asia." Korea is different too, though it is still suffering from separation of the nation. Nowadays, we are talking about how to make Northeast Asia a region of peace and prosperity, and for that matter, what we should and can do to bring about a denuclearized Korean Peninsula. While it will take time to build a community of peace and prosperity, and we certainly have obstacles to overcome, the good news is that the elites of the various countries in the region have increasingly become aware of the necessity and importance of regional cooperation. The consciousness of the region is growing, albeit slowly.

Below I would like to highlight a few recent developments and their implications. First, I would like to point out that the earlier efforts for regional development cooperation such as the Tumen River Development Project initiated by the UNDP became stagnated and lost momentum. More recent steps taken and progresses made are actually a component of one larger picture and have been stimulated by a broader East Asian regional integration drive. In recent years, regional cooperation in East Asia has kept making progresses.

I. ASEAN + 3

10+3 cooperation has made new progress in the past year, and they can be listed as follows:

- Four new cooperative institutions at the ministerial level were created. They are in energy, public health, combating transnational crime and communications.
- Financial cooperation deepened, and the implementation of the Chiang Mai Initiative went well.
- Second-track mechanisms, such as the Network of East Asian Think Tanks (NEAT) and the East Asia Forum, were active. They together provide intellectual support for regional integration.
- The goal of building an East Asian community became clearer as the objective of regional cooperation.

In the 8th 10+3 leaders' meeting held November 2004 in Laos, the East Asian countries agreed that they would hold the first East Asia Summit 2005 in Malaysia, probably in December. It will be a new milestone in East Asian regionalism. One question that remains is how the East Asia Summit will be related to the 10+3 leaders' meeting. During the November meeting, China put forward seven concrete proposals in order to move the 10+3 ahead:

- To build an East Asian Free Trade Area. China is willing to take the initiative to start an academic feasibility study.
- To deepen financial and investment cooperation. China is willing to fund studies in 10+3 regional financial and monetary cooperation.
- To broaden security dialogue and cooperation. The 10+3 countries should actively carry out the cooperative five-year plan of combating transnational crime. Since maritime security is becoming increasingly prominent, China suggests that 10+3 seriously consider strengthening regional collaboration in this area.
- To promote social, cultural and technological cooperation. In 2005 China will host the 7th Asian Art Festival in conjunction with the Asian cultural ministers' forum. China suggests that youth exchange mechanism be invented and offers to sponsor a 10+3 youth friendship forum.
- In order to avoid overlapping, China proposes that in the second half of 2005, the NEAT, East Asia Forum and ASEAN-ISIS, etc.

- may jointly hold an East Asian cooperation congress in China to further explore regional cooperation issues.
- To better plan future East Asian cooperation. China proposes that by looking back and looking to the future, the 10+3 countries can jointly release a guiding document that will point to the direction of EAC's future development based on the 1999 Joint Declaration. The document could be entitled "East Asian Consensus."
- To be supportive of the 10+3 group. In 2003, the ASEAN secretariat set up a 10+3 group. It is playing a positive role in the planning, coordination and promotion of cooperation in various areas. China proposes that the member countries pour in more resources, and the Chinese side will contribute \$200,000.

II. ASEAN + China

Since they signed the Joint Declaration on Strategic Partnership for Peace and Prosperity in 2003, ASEAN-China cooperation has been moving ahead faster and more steadily.

Politically, the two sides have conducted political dialogue frequently and have gradually built up mutual trust. China honors its commitment to the Treaty of Amity and Cooperation in Southeast Asia (TAC), while ASEAN has reiterated its One China policy by releasing a chairman's statement out of its foreign ministers' meeting.

Economically, the China-ASEAN Free Trade Area made significant progress, and the two sides reached a trade-in-goods agreement in September 2004, which was formally signed in November. It calls for zero tariffs on a wide range of agricultural and manufactured goods by 2010. ASEAN and China have agreed to speed up service trade and investment accords negotiations. The so-called "early harvest" program to reduce tariffs on eight agricultural products is moving ahead smoothly. The China-ASEAN Expo was successfully held in November. ASEAN has declared that it acknowledges China's full market economy status.

Third, in the security area, the two sides signed a MOU of cooperation in non-traditional security matters. China is committed to join the

protocol of Southeast Asia Nuclear Weapon-Free Zone treaty that is a hallmark of ASEAN.

Fourth, in addition to the four ministerial cooperative mechanisms in foreign affairs, economic affairs, transportation and customs, two more were created. As a matter of fact, China-ASEAN cooperation ranges widely from finance, agriculture, transportation, communication, and public health to human resources, education, tourism, science and technology, and cultural affairs.

To better carry out the comprehensive economic cooperation framework agreement that was signed in 2002, China and ASEAN have formulated a strategic partnership action plan, detailing the various steps that will be taken in the next five years.

III. China-Japan-South Korea tripartite cooperation

In 2003, leaders of the three above countries released an unprecedented joint declaration on promoting China-Japan-South Korea cooperation. The declaration lists 14 areas in which the three Northeast Asian countries will cooperate with each other. In the past year, tripartite cooperation made progress in all 14 areas. One important development was the formation of the trilateral committee in June 2004. Consisting of the foreign ministers of China, Japan and South Korea, the committee held its first meeting in Qingdao, China, on the sidelines of the Third Asian Cooperation Dialogue (ACD) foreign ministers' meeting. (ACD is a unique pan-Asian government dialogue and cooperation institution that came into being in June 2002.) The trilateral committee's job is to implement and coordinate what the leaders of the three countries have agreed upon, and its meetings will take place in each of the three countries on a rotating basis. Three research organizations in China, Japan and South Korea have been authorized to jointly conduct a feasibility study concerning a possible East Asian Free Trade Area.

Just to give you an example of what is going on in terms of China-Japan-South Korea cooperation, the three ministers of environment held their sixth meeting in December in Tokyo and decided to

set up a new working group to study further how to better protect the Northeast Asian environment. The three countries will work together to monitor acid rain in East Asia and to do research in long-distance, transnational air pollution. The three ministers are concerned with the issue of sand storms in the Northeast Asian region and have reached a consensus to build a sand storm surveillance network and to share information. The Chinese-Japanese-South Korean environment ministers' meeting got started in 1999 and takes place annually in the three capitals on a rotating basis.

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