REGIONAL IMPLICATIONS OF THE CHANGING NUCLEAR EQUATION ON THE KOREAN PENINSULA

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Mr. Chairman, thank you for your kind invitation to testify today. I am honored to have the opportunity to speak before this distinguished Committee on an issue of vital American interest, the regional implications of the nuclear crisis with North Korea.

In particular, I have been asked to address South Korean perspectives with regard to the current crisis. I will attempt to address this subject in three parts: 1) at the "street" level, the groundswell of anti-Americanism in South Korea that has been, in part, precipitated by the North Korean nuclear revelations; 2) at the "elite" level, the disparity in South Korean and U.S. government views on what is an acceptable outcome to the crisis; and 3) a longer-term look at the future of the US-ROK alliance.

South Korean Perspectives: The Street

We are all familiar by now with the standard explanations for the groundswell of anti-Americanism in the streets of Seoul over the past five months. The proximate cause was popular dissatisfaction with the military trial aquitting two US servicemen in a vehicular accident killing two Korean teenage schoolgirls. As the Committee members are all aware, however, the brewing crisis with North Korea after the October 2002 nuclear revelations, fueled this street sentiment to the point that we witnessed tens of thousands of South Koreans demonstrating in Seoul, ostensibly against the alliance.

These demonstrations highlighted for many how much the domestic political context had shifted in Seoul. Anti-Americanism was not the same radical, ideological strain ("banmi") that was evident in the 1980s among a fringe group of students and labor, rather it was a view less ideological but no less critical of the United States ("bimi"). Moreover, this new strain of anti-Americanism was spread across a wider swath of society. With regard to the crisis with North Korea, scholarly and media analyses characterized the link in two ways: First, the

demonstrations against US policy toward North Korea reflected the views of a younger, affluent, and educated "post-Korean war" generation less fearful of North Korea after the June 2000 summit. Second, many of these younger generation saw the United States stand-offish policy toward North Korea to be as much a cause for the current crisis as the North's nuclear cheating and truculence. Perhaps the grossest popular characterization of this was the 60 Minutes portrayal last month of four Korean students blurting out with impunity that George Bush was more threatening to them than Kim Jong Il.

Committee members are undoubtedly aware of these arguments so I won't go into them in any more detail. The one observation I would like to make in this regard is based on numerous academic conferences, Track II dialogues, and meetings with South Korean legislators, foreign policy advisors, and the new president himself on this topic.

What has become clear to me is that the South Korean perspective privileges the self-righteousness of this street sentiment at the expense of underestimating its negative impact on American attitudes toward the alliance. This is a dangerous tendency. Americans see the demonstrations in Seoul; witness the burning of American flags and effigies of President Bush; hurling of molotov cocktails onto US bases; and hear news of US servicemen being accosted in Seoul. These are very real events and images that upset Americans to no end.

In stark contrast, however, Koreans discount these very acts as the deeds of a marginal few. Instead, Koreans explain the demonstrations in Seoul not as anti-Americanism but as "peace" marches or anti-war movements. They claim that this represents the self-expression of a new generation that is not afraid to have a different view on policy to North Korean than its ally. They assert that this difference of opinion on North Korea should not be construed by Americans as anti-Americanism. They further assert that this new Korean identity is actually very American -- i.e., a new generation that speaks their mind without fear of persecution.

The gap in these two views, therefore, is quite stark. If it is not minded (particularly on the Korean side, given the real acts of violence), then the result is, frankly, a train wreck in slow motion: What Americans focus on as the primary manifestation of anti-Americanism, the South Koreans dismiss as the incorrect message to take away from the demonstrations. Mutual recriminations would then send the alliance (and popular sentiment on both sides of the Pacific) into a downward spiral.

An important variable or signpost of the extent to which this dynamic could spin out of control is what I have termed the "silent majority" in South Korea. There has been tremendous attention given to the younger electorate's role in bringing the engagement-friendly Roh Moo-hyun to the South Korean presidency. But there still exists a significant portion of the population that is less enamored with the sunshine policy after the October 2002 revelations and genuinely worried about North Korea's pursuit of nuclear weapons. Polls in January 2003, for example, showed as high as 47 percent of the street seeing Pyongyang's nuclear truculence as a real threat.[1] One would imagine that the DPRK's subsequent withdrawal from the NPT, restarting of the experimental reactor, and spate of military provocations has buoyed these numbers. The extent

[1] *Chosun Ilbo-Gallup Polls*, January 1, 2003.

to which this silent majority becomes more proactive will be an important determinant of how wide the gap becomes.

South Korean Perspectives: The Elite

At the elite level, the tensions over North Korea play out in a different albeit no less important fashion. It seems to me that the dispute between the United States and South Korean positions over the nuclear crisis with North Korea boils down to the inherent tension in two principles held by the Roh Moo-hyun government. The newly-inaugurated president declares that a nuclear North Korea can never be condoned by Seoul. At the same time, he argues that the use of force is not an option in dealing with the North. How can one rule out the use of force, Americans ask however, and hope to advance any policy with the nuclear ambitious regime beyond a toothless appeasement policy? The South Korean response is that coercive measures (i.e., surgical attack or sanctions) must be ruled out because they could precipitate a collapse of the North, the costs of which could be too crippling to the South.

This is funny math. As I argue in a forthcoming co-authored book, *Nuclear North Korea* (Columbia University Press, 2003), it is based on the belief that the costs of unification are prohibitive for the South. As one member of the Roh Moo-hyun's foreign policy team stated to me in simple terms: "We can't press the North on the nuclear issue. If we press them, they might collapse. If they collapse, then we collapse." More important, this South Korean view implicitly assumes that there are relatively *lower* costs associated with any other option that does not have the potential to precipitate regime collapse -- even if this means a nuclear North Korea as an outcome.

Both are highly questionable propositions. Let's look at the first part of the equation. It has become a truism that the costs of unification are astronomical. In short, Germany was expensive, and all the macro socio-economic indicators are that Korea would be more so. Relatively speaking, the population gaps between the Koreas are smaller, and the economic gaps are wider.

Beyond this superficial understanding, however, current research shows that the costs of unification may not be as catastrophic as the conventional wisdom argues. Marcus Noland at the Institute of International Economics shows that if unification-handlers take advantage of efficiency gains through DPRK marketization, a younger DPRK (than East German) work force, and optimal movements of labor and capital, absorption could result not in negative growth, but in only a mild slowing in South Korean growth rates and overall increases in peninsular output relative to a no-collapse outcome.

Perhaps more important, to fixate on avoiding the potential costs of unification, as the South Korean government and public do, implicitly assumes that the alternative outcome - a nuclear North Korea - is acceptable. Nothing could be further from the truth. A North Korea with nuclear and ballistic missile capabilities would have untold costs both direct and indirect. These include capital flight, and a faltering stock market, not to mention the price of rolling back an extant North Korean nuclear weapons program and the costs associated with an arms race and nuclear proliferation ripple effect to Japan, Taiwan and even Southeast Asia, all resulting in a

tension-filled region created by North Korea.

Skeptics might counter that such costs are negligible, if not impossible to calculate with accuracy. The recent record shows otherwise. On February 11, Moodys downgraded South Korea's sovereign credit rating and country outlook for the first time after successive years of positive assessments since the financial crisis some five years ago. The following week, Standard and Poor's did not increase Korea's foreign currency and local corporation credit rating, and cut back expected growth outlook from 5.7 percent to 5 percent. What makes this fairly innocuous judgement significant is that S&P upgraded Korea's credit rating the year prior (to A-) and its general country outlook to stable, leading many experts to bank on further upgrades given improvements in South Korean credit fundamentals in the public and private sectors, and progress in corporate restructuring.

The primary reason for these sober assessments? S&P Director Takahira Ogawa could not have been more direct, stating "There is a risk from the North, which constrains the sovereign rating of South Korea." Those who think that an eternally optimistic South Korean government, committed to the peaceful status quo and engagement with North Korea, will be able to muddle through are sorely mistaken. All it took was one short-range missile test by Pyongyang into the Sea of Japan for the KOSPI (Korean Composite Stock Market Price Index) to tumble almost 4 percent (24 points) in one day despite a litany of parallel confidence-inducing events including Roh Moo-hyun's inauguration, the US announcement of the resumption of food aid to the North, and Secretary Powell's statements in Seoul that the US would eventually seek to dialogue with North Korea.

After North Korean MiGs intercepted the US surveillance plane in the Sea of Japan last week, the KOSPI dropped to its lowest level in 16 months. After the North Koreans tested a second short-range missile in as many weeks on March 9, the South Korean won depreciated to a four-month low. The Japanese Nikkei 225 closed at its lowest level since March 1983. South Korean economic officials are already expressing concern that these trends could negatively affect FDI in Korea which has been steadily increasing since the 1998 financial crisis. The Korea Economic Research Institute estimated growth rates for 2003 to be as low as 1.4 percent (2002 was 6.2 percent) because of uncertainties created by the North Korea crisis. I have conducted conference calls with hundreds of institutional investors in the past month where the primary question was not about the fundamentals of Roh Moo-hyun's economic plans or the competencies of his cabinet. The main question pertained to the effect of the North Korea crisis on investor confidence in Japan and South Korea.

This is a dynamic that should begin to weigh increasingly more heavily in South Korean thinking as the North continues to escalate.

The bottom line is that Washington and Seoul need to get back on the same page vis a vis North Korea both to resolve the current crisis and salvage the alliance. The anticipated costs of unification are lower than we think. And the costs of a nuclear North Korea are much higher than we think. The argument here is not to advocate the use of force, but that the Roh government may want to rethink the basic cost calculation that causes them to take it off the table completely as an option. Historically, the most credible and successful engagement policy

has been a proactive choice of the strong, rather than an expedient of the weak.

The Coming Change in the US-Korea Alliance

Even if the differences in perspectives on North Korea between Washington and Seoul could be closed, the inevitable fate of the Roh Moo-hyun presidency may be that the most critical foreign policy issue it will have to contemplate before its departure in 2008 will not be North Korea but the alliance with the United States.

This is because a historically unique constellation of forces indicates that change to the U.S. military presence in Korea is inevitable, if not imminent. The U.S. ground troop presence's success in deterring and defending against North Korean aggression has also made its tailored forces less useful to overall American strategy in East Asia. At the same time, the ROK military has grown more robust and capable, a far cry from the feeble force trained by the United States fifty years ago.

As noted earlier, civil-military tensions over the U.S. military footprint have grown immeasurably in past months, showcasing a younger generation of Koreans who see the United States less favorably than their elders. The sunshine policy also had the unintended consequence of worsening perceptions of U.S. troops in the body politic. On the one hand, the exaggerated success of the policy caused the public to be less welcoming of the U.S. presence. On the other, the failure of the policy led to the search for scapegoats, for which the U.S. presence was a ready target.

Larger trends in U.S. security thinking also presage change. The Pentagon's 100,000 personnel benchmark in Asia is viewed as obsolete among experts. The revolution in military affairs, moreover, with its emphasis on long-range, precision-strike capabilities foreshadow alterations in the face of US forward presence around the world.

Those Koreans who believe that the U.S. is too comfortably self-interested with its position on the peninsula to contemplate serious change are dead wrong. As noted above, the images beamed back to the U.S. of "Yankee go home" demonstrations, burned American flags, accosted GIs, and young Korean assertions that George Bush is more threatening than Kim Jong-Il have had a real effect in Washington. There is anger, expressed in Congress and in the op-ed pages of major newspapers about South Korean ungratefulness for the alliance. With no imperial aspirations, the United States indeed would withdraw its forces in the face of an unwelcoming host nation.

Secretary Rumsfeld's recent remarks about possible modification of US forces in Korea offers a glimpse, in my view, of a deeper, serious, and longer-term study underway in Washington on revising the alliance. The anti-American tenor of the election campaign in Korea and the subsequent "peace" demonstrations have created a momentum in Washington that proponents of alliance revision can ride. The ostensible goal of such plans is the same alliance but with a smaller and different (i.e. less ground, more air/navy) footprint, but if the vicious circle of anti-Americanism in Seoul bearing anti-Korean backlashes in the US continues unabated, then the

outcome could also entail a downgrading of the alliance in U.S. eyes.

President Roh Moo-hyun does not want to go down in South Korean history as the leader who "lost" the alliance. His entreaties to NGO groups to damp down the anti-American rhetoric, and meeting with USFK were well-advised steps in this regard. But he needs to do much more. As is underway in the United States, President Roh and his foreign policy team need to undertake a bottom-up review of the alliance. They need to assess Korea's long-term interests in the alliance. And they need to come up with a longer-term vision of what the alliance stands for, rather than what it stands against.

This vision must showcase the new U.S.-Korea alliance as the embodiment of values including democracy, open markets, nonproliferation, counter-terrorism, human rights, rule of law, civilian control of the military, and freedom of worship in a region of the world that does not yet readily accept these values. At its military core, the alliance's regional stability function would require a force presence that meets three criteria. The revamped presence must be militarily potent, but flexible enough to react swiftly to a broad range of regional tasks (Deployable). The presence, however downsized and changed, must still preserve America's traditional defense commitment to South Korea (Credible). Finally, as critical as being a potent, credible, and deployable, the revised presence must not be seen as overbearing by South Koreans (Unobtrusive).

The long-term scope of such a study should not belie its urgency. Coming up now with a mutually agreeable vision and military rationale for the alliance ensures that future revisions to the force presence take place in the right political context and are not misinterpreted. Otherwise, the US-ROK alliance runs the risk of entering its middle ages as a brittle cold war relic, prone to being overtaken and outpaced by events.[2]

[2] For an expanded study, see Victor Cha, "Focus on the Future, Not the North," *The Washington Quarterly* (Winter 2002-2003), http://www.twq.com/03winter/docs/03winter_cha.pdf